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AMERICAN RAILWAY ACCOUNTING

A COMMENTARY

BY

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FROM 1887 TO 1911 IN CHARGE OF THE STATISTICAL AND ACCOUNTING WORK OF THE INTERSTATE COMMERCE COMMISSION

NEW YORK

HENRY HOLT AND COMPANY

1918

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TO THE MEMBERS OF THE

AMERICAN ASSOCIATION OF RAILWAY ACCOUNTING OFFICERS

IN REMEMBRANCE OF THEIR EFFICIENT CO-OPERATION
IN WORKING OUT A SYSTEM OF ACCOUNTS
FOR AMERICAN RAILWAYS

IS THIS COMMENTARY RESPECTFULLY DEDICATED

PREFACE

It was my original purpose to write a book under the title, "Railway Accounts; their Abuses and their Uses." This purpose was modified, primarily because such a treatment of the subject would have been unduly controversial. It would have led to a criticism of most that has been done relative to rate regulation since that unfortunate decision of Smyth *v.* Ames. The controversial side of railway accounts carries with it too many independent interests, to be covered by a book the chief aim of which is to explain accepted accounting rules, and, by so doing, to make clear what is meant by a scientific system of accounts.

The second phase of the original title met with a similar fate. To consider the many uses of a well devised system of accounts, would raise most of the problems involved in industrial statistics. This, too, covers a field of analysis of sufficient importance to claim individual treatment, and, for this reason, a consideration of the uses as well as the abuses of business records was set aside. What remains is not very extensive, so far as the text is concerned, but it is dominated by a single purpose. It is a Commentary on the standard system of railway accounts promulgated for and used by American railways.

It is hoped that this simple analysis of a standardized system of business records will prove helpful to three classes of readers.

First. That large body of men, mostly young men, who are coming to see in the truthful keeping of records a sol-

vent for current industrial problems, will find in this Commentary some help to a better understanding of their vision into the future. Accounting, at last analysis, is the determination of relative equities; and, consequently, it is an instrument by which the aspirations of peace-loving democracies may be realized. This, at least, is the idea that the author has kept constantly in view. It is the source of his personal interest in the science of accounts.

Second. The American system of railway accounts is known and consulted by accounting experts in many lands. Accountants in China, Japan, New Zealand, Canada, and some of the South American and South African states, desire to learn what this country is doing, as a help to the solution of their local problems. It is for this class of readers, primarily, that the Appendices, which reprint the Classifications promulgated by the Interstate Commerce Commission, are inserted.

Third. It is expected that practical accountants who have charge of the records of public service industries of all sorts, will find in the analysis here presented, some points of interest and possibly of profit. Especially the younger railway accountants, those who did not take part in that nation-wide symposium of 1907 to 1910, out of which American railway accounting emerged as a standardized system, will find in this book an explanation of many of the rules they now apply.

University students, also, whose chief purpose is to understand commercial relations, will read with interest the pages that follow, for these pages aim to show, by numerous examples, that all sound accounting rules reflect the nature of the self-determining laws of business life.

Twin Oaks, February, 1918. H. C. A.

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AMERICAN RAILWAY ACCOUNTING

CHAPTER I

THE TASK OF THE RAILWAY ACCOUNTANT

The task of the railway accountant is the same in kind, so far as general principles and range of responsibilities are concerned, as that of the accountant of any other large business. Familiarity with the basic principles and general rules of accounting are, therefore, assumed for the readers of this treatise, and those points only which are characteristic of a system of railway accounts will be discussed with any degree of completeness. It is assumed, for example, that the reader knows the double entry method of keeping business records, and the reason why this is the correct method; that he understands the use of debits and credits in accounting analysis; that he can interpret an accounting balance and reason from a comparison of balances; and that he appreciates the significance of assigning an accounting personality to an operating period, to an operating division or process, to the parties mentioned in a contract, or to the properties covered by the operating management of a system. These ideas, as well as the use of clearing accounts, suspense accounts, arbitraries and weighted averages, will not be considered in this treatise, unless they come up in the discussion of some special accounting problem. These things are, or should be, the common knowledge of every accountant.

It may also be assumed that the reader has an appreciative understanding of that complex business unit

known as a railway, whose operations and transactions a system of railway accounting undertakes to record. On this latter point, however, a cursory explanation may not be out of place as suggesting the peculiar task imposed upon a railway accountant. Such an explanation may be found in what follows.

§ **1. The Background of Railway Accounts.**—In the first place, it should be recognized that transportation in the United States is in fact, though not in form, an organized service unit. Railway construction as well as railway equipment is fairly well standardized, and, within broad lines, internal as well as external management conforms to uniform rules. Greater uniformity in operating methods would not be practiced were the railways of this country the property of a single corporation or of the federal government. From this it is evident that a railway accountant must keep his records in such a manner that the balances which they show can be readily combined with corresponding balances of other companies. Ability to make combinations and comparisons is one of the tests of sound railway accounting.

This tendency towards a unified system is not primarily due to the fact that the federal and state governments exercise supervisory jurisdiction over railways. It lies very largely in the nature of the case and is the result of several tendencies and conditions. Thus, provision for interchange of freight, and a desire to eliminate reloading for through freight, is responsible for the standardization of equipment and, to a certain extent, for standardizing the track. The struggle for economy and efficiency, also, results in the extensive use of joint facilities and the employment of joint employees, both of which tend to

the standardization of administrative rules. The fact that the same express companies, fast freight lines, terminal and lighterage companies, as well as the Postoffice Department and the Pullman Company, operate in connection with independent railway lines, tends to the general adoption of uniform contracts and operating arrangements. Indeed, it is not too much to say that, from the operating standpoint, business necessity forces independent railways to administer their properties very much as though they were a single property.

This unity is, in part, the result of conscious effort on the part of railway officials. Transportation is a highly specialized business, and has been developed under the influence of the scientific spirit. There are in this country more than an hundred associations of railway officials whose purpose it is to discuss the scientific and operating problems which arise in the administration of a railway property, and to bring the experience of every property to bear upon the operation of every other property. Although these associations have no definite authority, the rules they lay down are generally followed. The American Railway Association, the Master Car Builders' Association, the Claim Agents' Association, and the Accounting Officers' Association, may be accepted as types of the many railway associations that exist, each of which stands for a particular function in the application of the principles of division of labor to railway transportation, and each of which exerts a conscious influence on the unification of railway methods. All this stands back of and gives character to the task of the railway accountant.

In the second place, it should be noted that the unit of railway operation is the railway system and not

the railway corporation. How these systems grew may be a matter of secondary importance, but the legal forms by which they are held together; the agreements for the distribution of system revenues; the contracts that define the relation of railways to mining, lumbering, and other lines of business covered by railway capital; the administrative rulings that pertain to the hundred and one operations ancillary to the management of a great railway property; these, and many other significant features that might be mentioned, are of prime interest to the accountant because they control his system of records. These contracts, agreements, arrangements, and administrative rulings give rise to inter-corporate, inter-divisional, and inter-industrial accounting. An illustration of each may not be out of place.

Inter-corporate accounting covers the contractual agreements or understandings by which a system is organized and held together. The figures set down by the accountant are such as bear on the relative equities of the constituent parts of the system. Thus, a separation of the earnings and expenses of subsidiary lines from those of the parent line, may be required in order to execute the contract involved. A similar separation may be required for fixed charges and certain revenues. The improvements on leased property paid for by the lessee give rise to accounting problems that are not easily solved. The use of constructive mileage and arbitraries of all sorts in the execution of contractual agreements further illustrates what is meant by inter-corporate accounting.

Inter-divisional accounting is, in some of its features, like inter-corporate accounting except that it is directed primarily by the needs of operating officials. It undertakes

to locate revenues and expenses, as indeed the benefits and the burdens of all transactions that appertain to branch lines or operating divisions. It aims to measure efficiency or economy and to compare actual results with established standards. Under inter-divisional accounting, also, are included many administrative functions, as, for example, the administration of a car pool for cars owned by or assigned to particular parts of the system. This branch of accounting offers many opportunities for originality and experiment. It is closely allied to the work of a railway statistical bureau.

Inter-industrial accounting brings to notice three classes of operating relations. It has to do with those business relations that exist between a railway and transportation agencies not covered by railway capital, but which co-operate with the railway in rendering the service of transportation. Express companies, telegraph companies, boat lines, belt and switching lines, transfer companies, and the like, are agencies of this sort. It embraces that long list of business undertakings ancillary to the business of a railway such as ice plants, light and power plants, stock pens, elevators, bridges, ferries, terminal properties, and many kinds of joint facilities. Whether the property of such business undertakings are owned by the railway or not, the accountant must recognize each as a party to a contract or operating arrangement, either actual or implied. And, finally, inter-industrial accounting covers all those complicated agreements which trunk line railways enter into with industrial or manufacturing railways.

It is evident from the foregoing that numerous problems are involved in the organization and the activities of a

railway, all of which give character to and, in large measure, control current records. Every link that binds together a railway system must be known to the railway accountant, for without a detailed and accurate knowledge of the way in which the system is held together, he will not be able to combine inter-property and inter-service records so as to measure accurately the equities of the various factors, or to prepare a truthful statement of the operation of the property as a whole. The railway system and all that the history of such a system implies, stands back of and gives character to the task of the railway accountant.

It must be recognized, in the third place, that railways are public service industries and on this account are subject to the supervision and control of the government. Statute laws and court interpretations are accepted facts in railway administration, and many of the public questions that arise cannot be answered except on the basis of a quantitive measurement of the public and private interests involved. But this quantitive measurement must be taken from the records. Its statement must be an accounting statement. It thus becomes evident that the statutes of the federal government, the laws of the states, the ordinances of municipalities, as well as the rulings of the courts in the interpretation of such statutes, laws, and ordinances, must be known to the railway accountant in order that his records may be so organized as to enable him, easily and without great expense, to set forth the private and proprietary interests involved in the claims urged by the government with regard to this class of property. Indeed, the general policy of the government, so far as it rests on the fact that railway prop-

erty is imposed with a public interest, stands back of and gives character to the task of the railway accountant.

§ 2. Scope and Purpose of Railway Accounting.— The end held in view by the railway accountant, like the character of the principles and the nature of the responsibilities which he recognizes, is much the same as that covered by the purpose of any well administered system of accounts. Accounting considered in its broad sense, and defined in such manner as to emphasize its fundamental principles, is made up of a series of entries and statements leading to definite conclusions. It covers the recording of business transactions and the interpretation of financial, operating, and statistical records. While industries were small, no general or comprehensive system of accounts was necessary. It was then possible for the individual manager to hold in mind all the essential facts for successful management.

With greater industries, however, success depends upon specialized efforts, and upon the efficient adjustment of many apparently inconsistent lines of activity. Under such conditions, comprehensive records are essential in order to test and to compare results. This is especially true of the railway industry which, in addition to extensive specialization on the part of officials and extensive application of the principle of division of labor for the assignment of work to employees, carries on its rolls agents scattered over broad territories, who, on this account, are obliged to work independently of the personal supervision of superior officers. Under such conditions, the management must bring to its aid a system of accounts which becomes the eyes, the ears, the memory, and, to a

large extent, the analysis and the reasoning, of a successful administration.

Further light is thrown upon the character of an accountant's task by the observation that every accounting statement is a direct or an implied argument. Accounting is a process of reasoning and, as such, is subject to the strict rules of formal logic. The language of which the accountant makes use is the language of figures. His underlying conception is that of a mathematical equation. For this reason, the responsibilities of an accountant demand an exactness in classification and definition equal to that which is required in any field of scientific inquiry.

The above observation discloses the peculiar demands of an accountant's task. The argument contained in an accounting statement is worthless, unless it can be checked, step by step, against original entries which in themselves are trustworthy. A comprehensive statement made up of a combination of a million debit and credit transactions, may be relied upon for correct conclusions on one condition, and one condition only. Every field note, every voucher entry, every original paper, must be made out according to standardized definitions and entered and compiled under carefully drawn classifications. The accountant who does not know field work, or whose instructions fail to cover explicit rules for original entries or journal transfers, does not properly appreciate the exacting nature of his profession. It is, therefore, necessary to include, in a satisfactory characterization of the scope and purpose of railway accounting, a complete and an exhaustive analysis of the business functions to which these accounts pertain, and a set of definitions which will ensure congruous classifications.

It is quite possible that the above portrayal of the task of a railway accountant, lays too great stress on the underlying philosophy of business management. It would, of course, be improper to so emphasize the record as to over look the immediate aim or purpose of business accounting. This possibility was brought to the attention of the author by a criticism on the manuscript of this chapter by an accountant of one of the leading railways of this country. His criticism is worth quoting. He says:

"You have quite a different point of view than the ordinary Accountant or Auditor. The purpose of the revenue accounts is to secure the revenue accruing as the result of the activities of the corporation. All accounting methods have as a purpose to 'get the money.' Thus, a freight waybill is reported to the Auditor by the Agent at the originating station and also by the destination station. The Auditor thus secures the information upon which he requires the remittance of the revenue (if prepaid from the original station and if collected from the destination station). The checking done by the Auditor is not so much to secure a correct record and complete report, as to secure the entire revenue through the means of these reports, and incidentally he secures a correct record."

The point urged by this criticism is readily acknowledged. The primary task of an accounting department is to audit revenues and check expenses and, until adequate provision is made for the accomplishment of this task, it would be useless to consider the philosophy that lies in accounting records, or the scientific character of classifications. It may, however, be questioned whether or not the record thus "incidentally" secured from the routine of primary audits will prove to be a practicable

or a helpful method for testing current operations or for outlining future policies. Such records do not come of themselves: on the contrary, they are the product of extensive study and infinite care. In any case, it is this narrower phase of the process of railway accounting that claims the chief attention of the present discussion. The author does not feel that his study or experience is worth much in the practical management of a railway auditor's office. This book is a commentary and deals with fundamentals.

The responsibilities of the railway accountant have been identified for so many years with the task of the bookkeeper that it seems necessary, at the outset of a treatise dealing with railway accounts, to thus emphasize the unique position which the accountant occupies in the organization and administration of a great industry. The accountant stands at the center of an organized industry; every transaction passes through his hands; every problem must receive the imprint of his mind, for it is he who supplies, in concrete form, the information upon which reliance must be placed for deciding administrative policies. No other single officer of a great industry is required by virtue of his official position to know as much of all operations in all departments as the accounting officer. This is the explanation of a very significant fact disclosed by the recent history of great industries; namely, that of the development of the bookkeeper into an executive officer. The modern railway accountant is no longer a clerk whose duty it is to keep records according to instructions received from others. On the contrary, he has become a critic, responsible for detecting unnecessary wastes in operation, and for testing the efficiency of cur-

rent administration. He is responsible, also, for exposing incompetence, whether of departments or of policies, and for pointing out those tendencies in the business world, the recognition of which is essential to the successful administration of a property. It is no accident, therefore, that the railway accountant of to-day is classed among the higher executive officials in the organization of American railways.

§ 3. **The Accountant as an Historian.**—Since accounts are records of current transactions, it follows that the books kept by the accountant, provided they are properly kept, furnish a large part of the material out of which the development of a railway may be written. These records, taken in connection with the minutes of the Board of Directors, are, or should be, an authoritative history of the property. It is a serious reflection upon the manner in which an accountant has performed his appointed task, should his books prove to be either incomplete or inaccurate records of the growth of the property to which they pertain. From this point of view, the accounting records of American railways are open to the most serious criticism. Construction accounts, for example, are not satisfactory when used in the general balance sheet statement, and it is because this is true that Congress finds it necessary to undertake a valuation of railway property. The function of an accountant as an historian cannot be overlooked in a statement of his responsibilities.

§ 4. **Conclusions of an Accounting Statement.**—It was said above that the process of accounting is made up of a series of statements leading to definite conclusions. It should next be noted that, according to the usual form

of accounting statements, these conclusions are expressed as a balance of debit and credit entries. The conception itself is very simple, although the correct use of debit and credit entries in a complicated statement, is somewhat difficult. In dealing with debits and credits, the accountant has to do with the plus or the minus, the more or the less, the surplus or the deficit, the above or the below of an assumed zero, a conception that is familiar to all who make use of mathematical or logical reasoning.

Accounting balances are of two kinds. They may be the sum of entries properly classified, all of which are debits or all of which are credits, or they may be the difference between the totals of a series of debit and credit entries; but whether aggregations of congrous entries, or a balance of entries of opposing tendencies, the figure arrived at is the quantitive measurement of a force, of a condition, or of a tendency, upon which the administrative officer must rely for framing and carrying out a successful business policy.

There are as many balances as there are accounting statements, and as many accounting statements as there are transactions of sufficient importance to require definite measurement. Such balances, although not final or fundamental, serve a very definite purpose. They are struck when some operating officer desires specific information upon a particular condition, or for the purpose of testing the results of experiments in current operation. Balances of this class are of the utmost importance, and the ease with which they may be made goes far to declare a satisfactory system of accounts.

These are not, however, the fundamental balances to which all accounting records contribute. The fundamen-

tal balances are four in number; namely, the balance which measures the cost of the property, the balance which measures net operating revenues, the balance which measures the current surplus or deficit, and the balance sheet statement of accumulated profit or loss. The movement in these balances from year to year discloses, to one who knows railway operations and railway accounts, the direction in which the property is moving. They are guides for the judgment of the investor, and a measure for those who desire to know the degree of prosperity which has attended the operation of a property. In the analysis of these balances will be found a test of the efficiency and accuracy of the accounting department. It is from them that an outside auditor, or an examiner sent by the government, will start his investigation. If it is found that the compilations and entries from which these balances are struck are correct in themselves, as proven by checking against the original papers, and that they conform to properly drawn definitions and classifications, the work of the accountant will be approved, and the balances themselves will be declared worthy of confidence for whatever purpose they may be used. If, on the other hand, an analysis of these balances shows that they include entries not covered by their titles; that the ledgers or summaries from which they are drawn are confused in definition or classification; or that the field notes, vouchers, or original papers are indefinite or uncertain as to the entries which they carry;—the accounting department which discloses such results is open to severe censure. The degree of confidence which may be placed in the integrity of the four balances named is one of the accepted tests of sound accounting.

§ 5. The Compelling Character of an Accounting Rule.—It is claimed that accounting is a science, and however disinclined one may be to make use of high-sounding phrases, he is obliged to conclude that railway accounting, at least, comes very near making good the claim. The fact that every system of accounts rests on analysis of functions, and finds expression through classifications, is not urged in support of this proposition. While these are marks of scientific procedure, they do not of themselves constitute science. The commonly accepted proof that a body of organized knowledge has attained the rank of an established science, is the coercive or compelling character of the generalizations to which it gives rise and which come to be known as scientific laws. Laws of life, for example, compel universal recognition because it is known that to disregard them results in death. This means that the facts of life have been analyzed and classified, that enduring casual relations have been disclosed through experiment or observation, and that, as a result of this kind of study, the conditions which minister to the maintenance of health and the perpetuation of life are known. Such a body of knowledge constitutes a science, and out of it spring the rules according to which life must be maintained. No one questions the compelling or coercive character of such rules. They are merely an expression of the inevitable result of certain lines of conduct and, as rules of conduct, are self-executory.

In much the same way can it be said that established rules of accounting are generalizations for the guidance of business conduct, a disregard of which is a step in the direction of business disaster. These rules are items in the general law of business success. They compel ob-

servance because a business which ventures to act contrary to their diction sooner or later ceases to exist. This truth is especially pertinent for great industries which, like railways, have assumed the corporate form, and which are organized and administered on the assumption of perpetual existence. Endurance is for them a phase of success and, in order to continue to live, the observance of the fundamental laws of business conduct is essential. These laws find their most concrete expression in accounting rules. Two or three illustrations will make clear what is meant by the compelling character of the generalizations touching business conduct to which the science of accounting gives expression.

It is an accepted rule of accounts (in this instance, also an accepted rule of law) that dividends should be paid out of current or past profits. The only other source from which they may be paid is capital, and the declaration of a dividend which touches capital is not only a lie to the stockholders but it results in the dissipation of their assets. It is an abuse of the trust which the proprietors of the business have reposed in the management and an act which, if continued, must result in bankruptcy. This does not apply to the payment of guaranteed dividends, for such payments are in the nature of interest. The illustration refers to ordinary or preferred dividends which must be earned to justify their payment.

Again, the declaration of a net revenue, or of a surplus, without having included in the deductions from revenues all forms of expense incurred in the production of such revenues, is contrary to an established rule of accounting. Such practice tends to the dissipation of assets and leads inevitably to financial embarrassment, if not to final dis-

aster. An accounting rule which requires that adequate repairs, replacements, and depreciation should be made a current charge against revenues, is a business law of self-preservation.

In every treatise on accounting one may read the assertion that the statement of the accountant, which rests on the accruals of earnings and expenses, rather than the statement of the treasurer, which rests on cash receipts and cash payments, should be accepted by the management when framing a program which touches the use of funds. A balance in the bank is no proof that a business is in a prosperous condition, or that this cash may be safely withdrawn from the business or used for improvements and extensions. A bank balance fails to disclose outstanding liabilities. Many business disasters are traceable to a disregard of this simple distinction between accruals and cash. Railways in this country, and indeed most large industries, acknowledge this rule to stand for a rule of business conduct that should not be disregarded. Municipalities and states, on the other hand, have not yet learned this simple lesson, a fact that goes far to explain the frequent failure of municipal business undertakings.

The above illustrations give an idea of what is meant by the compelling character of accounting rules. There is nothing captious or arbitrary about these rules. They are not developed by a theorist writing on business conditions, nor are they promulgated on the authority of the accountant. On the contrary, they are drawn from the school of experience, or read from the records of those industries that have survived the struggle for business existence.

The recognition of the scientific character of accounting rules throws a flood of light on the responsibilities of an accountant. The management of an industry, especially if its securities are quoted on the stock market, is under constant temptation to sacrifice true prosperity for apparent success, and there is sufficient speculation and risk in all business enterprises to invite an occasional departure from sound business rules. It is one of the functions of accounts to resist this temptation, and this may be done without personal controversy, provided the accountant has organized his system of operating records in complete and detailed recognition of the scientific requirements of enduring business success. Under such conditions, there can be no margin of uncertainty. Any question as to the form of a statement which presents operating results is decided before the time when the statement is made. The interpretation to be placed upon figures, also, is determined by the instructions and definitions covering original entries, voucher records, and ledger charges. There is little need for an accountant to come into conflict with officials or directors, provided the system of accounts which he administers from day to day rests upon definitions which are accurate, and classifications which are scientific. The compelling character of the accounting principles to which he has adjusted his records will command obedience.

§ 6. Dual Responsibility of an American Railway Accountant.—In all countries where railways exist, their public or quasi-public character is fully recognized. In most countries, railways are owned by the state and are administered according to the principles of public rather than of private finance. In this country, however, the

policy of private or corporate ownership is maintained, and the interests of the public are conserved by the exercise of administrative supervision on the part of the government. There is no need of analyzing this policy, much less of considering its relative merits or demerits. It is enough for our present purpose to recognize that private ownership under public control is an established policy, and that, as the result of more than forty years' experience, railway commissions, both federal and state, are the agencies for the exercise of this control. The relation which the railway accountant sustains to the government under this program of administrative supervision, is worth mention, as showing the peculiar responsibilities assumed by railway accountants in this country.

This relation finds its best expression in the language used by the Interstate Commerce Commission from 1907 to 1914, in its orders promulgating the various original classifications of the present system of railway accounts. It was the purpose of these orders to hold the chief accountant of each railway personally responsible for the observance of all accounting rules. The order specifically said that "each and every person directly in charge of the accounts . . . is hereby required to see to, and under the law is responsible for" the correct application of the accounting rules laid down in the classifications.

This means that a railway accountant in the United States is under a dual responsibility. He is responsible to the corporation for faithful service and for carrying out the instructions of superior officers with regard to accounting matters, so long as those instructions do not conflict with rules and principles laid down by the Commission; on the other hand, he is responsible to the Com-

mission for a strict observance of the rules which it lays down. In the old days, an order from the executive officer or a general manager to make a report or to pass a voucher, was accepted as final by the accountant; at present, the accountant is obliged to check the instructions received from his superior officers in the corporation against the accounting orders he has received from the Interstate Commerce Commission, and to exercise his personal judgment as to the legality of such instructions. He sustains a responsibility to the government as well as to the corporation. This is a somewhat novel adjustment in American procedure and one that, on the whole, seems to have worked with a fair degree of success. The task of an American railway accountant is determined in large measure by the dual responsibility under which he works.

The orders which accompany the "Issue of 1914" of the various classifications of accounts make no reference to the personal responsibility of accounting officers. Why this change was made in the form of the order has never been explained, nor does it make much difference in the actual situation. Where a business is owned by a corporation but controlled by the government, the accountant cannot evade the dual responsibility imposed upon him by virtue of his official position.

CHAPTER II

STRUCTURE OF A SYSTEM OF RAILWAY ACCOUNTS

The structure of a system of railway accounts should conform to the analysis of the business to which it pertains, and be so drawn as to provide a set of records that will ensure the grouping of congruous items. The first of these considerations regards a system of accounts as the machinery of primary audits; the second holds in mind the operating and statistical uses made of accounting records. This second point of view is of special significance, inasmuch as the grouping of incongruous items will produce totals that have no meaning for the operating officer who is responsible for efficiency and economy, or for the railway statistician whose task it is to measure differentials, to trace tendencies, and to forecast results. Reduced to its final terms, accounting is the science of classification; but the classification which is to serve as the basis of the science must itself be based on an intelligent analysis of agencies and functions. It is the purpose of this chapter to outline such an analysis, and to select those considerations that give character and form to the established system of American railway accounts.

§ 7. Agencies of Transportation.—The agencies of transportation with which a railway accountant is called upon to deal may be readily listed. These primary agencies are:

Steam Railways,
Electric Railways,
Carriers by Water,
Pipe Lines,
The Postal Service,
Express Companies,
Sleeping Car Companies,
Private Car Lines,
Telegraphs, and
Telephones.

All these agencies are covered by those federal enactments which have for their purpose the exercise of government control over transportation. They all stand for property used in transporting goods, passengers, or intelligence. They fall with the meaning of the phrases "common carriers," "railways," or "instrumentalities of transportation," as those phrases have been legally interpreted.

This idea of a comprehensive system of national transportation is a matter of growth. The law of 1887, by which the Interstate Commerce Commission was created, as this law was interpreted and administered, assumed federal jurisdiction over interstate steam and electric railways, and water lines if operated in connection with such railways. The rewriting of this law in 1906 extended the meaning of the term "common carrier" to include express companies and sleeping car companies. By the same revision of the law, the term "transportation" was extended to include private car lines irrespective of ownership, and of any contract covering their use. Telegraphs and telephones were formally recognized as a part of the public transportation system of the country in 1910, when they were declared by statute to be common carriers.

The postal service is a government monopoly and is administered directly by government officials, but it cannot on that account be excluded from the list of transportation agencies.

Many agencies are included in the transportation system, besides those named in the above list. Thus, the term "railroad" is defined to include bridges and ferries used in connection with a railroad; also switches, spurs, tracks, and terminal facilities; as well as freight depots, yards, and grounds used or necessary for transportation. Ice plants, ventilation and refrigeration plants, storage and transfer facilities, and the like, are "instrumentalities . . . for the handling of property transported." All this makes evident the comprehensive character of business transactions to be covered by a system of transportation accounts.

It would, of course, be possible to provide an independent set of accounts for each of the transportation agencies listed above; but such is their interdependence, when joined for the production and sale of a continuous flow of transportation, that the result would be far from satisfactory. It was doubtless the recognition of this fact that led Congress to embrace all agencies, "facilities," and "instrumentalities" of transportation in its provision for a system of transportation records. This treatise is confined primarily to railway accounting, but in order to understand railway accounts, they must be regarded as a part of a general scheme. It is essential that the structure of railway accounts should be so drawn as to intermesh with the accounting structure of other agencies of transportation wherever there is, or may be, contractual, financial, or operating contracts.

As a matter of information, it may be said in passing that, in the formulation of a standardized system of records for transportation agencies in the United States, the requirements of railway accounting, strictly defined, were first considered, and the accounting structure thus devised was modified to meet the peculiar requirements of other agencies. In quite a number of instances it was found necessary to revise the original draft devised for railways in order to provide for some essential characteristic of a minor agency. In this manner, an harmonious framework of a general system of transportation accounting was worked out. A railway accountant ought to be familiar with all phases of transportation accounting in order to be a good railway accountant.

§ 8. The Accountant's Definition of a Steam Railway. —Every department of that complex organization known as an operating steam railway acts upon its own peculiar conception of what constitutes a railway. Each department, or bureau of a department, lays stress on those functions for which it assumes responsibility. The accountant, however, is an exception to this generalization. By virtue of the peculiar responsibilities of his office, he is forced to accept a sufficiently broad definition of a railway to cover all classes of property, all functional organizations of property, all instrumentalities of transportation, and all agreements, contracts, or financial interests which possess an adequate degree of independence to warrant a separate record and a personal history. For him a railway is made up of a large number of interdependent accounting units.

The best expression of a railway accountant's conception of a railway is found in the index to his general ledger, provided, of course, this ledger is in fact a general ledger.

It is rather the idea of a ledger than the ledger of current practice that justifies this statement. It may be more convenient as an office adjustment to carry several ledgers, but somewhere or somehow their balances must be assembled. Where sub-ledgers are opened to carry the details of special groups of items, such sub-ledgers are, strictly speaking, a part of the general ledger.

The accounting units recognized by the ledger index, if defined in this comprehensive way, may be roughly classified as units of property, units that stand for operating agreements, and units based on contracts. Each of these may properly claim cursory consideration.

Property. For a complete classification of property used for railway purposes, one must rely on the analysis of the construction engineer, and this analysis is recognized as final and controlling in the formulation of certain of the accounting classifications. But the accountant cannot safely arrest his analysis with the orderly listing of property. He is obliged to go beyond the property register to consider the business purpose for which these various units of property were constructed, and to group them in such a manner as to disclose the specialized services of each.

Under the conventional term "railway," the accountant sees main line, branch line and feeder; side track for passing, side track for storage, and track to car sheds, round house and shop; he sees yard tracks, stock pens, elevators, and—what is now coming to be of peculiar significance—terminals; he regards bridges, lighters, car ferries, and the like, not alone as property, but as operating disabilities; he sees also industrial lines, switching lines, belt lines, each with its own peculiar business character; in short, he

looks at property of all kinds and all sorts in its relation to the production of a final net surplus, and consequently groups it in his records according to the relation it bears to this result. It is the peculiar service rendered by different kinds of property that gives character to the accountant's definition of a railway, so far as that definition has to do with physical elements.

Operating Agreements. The organization of a property for operation demands of the accountant an extended list of specialized records.

A large property, in order to realize economy and efficiency, must be divided into a number of functional or divisional units, each of which presents peculiar problems and calls for separate records. Many agencies, also, must be used which are not included in railway property, and for each of which an open account must be maintained. But of especial importance is the fact, that economy of operation requires that certain classes of railway property should be used jointly by two or more railways, such as joint yards, joint tracks, joint terminals, and the like, each of which in its effect on accounts become a separate transportation agency for which specialized records are required. In both revenue and expense accounts, the proper treatment of joint facility records has come to be an important accounting problem. The development of through traffic also calls for a specialized system of audits designed to secure a proper distribution of jointly earned revenues, and has resulted in an interchange of cars so extensive and so difficult to control that car accounting has come to be a specialized branch of railway accounting. Joint traffic is also responsible for interline freight-claim accounting, which has grown to

such dimensions as to take its place as an independent bureau of the accounting department.

The truth is that the railway system of the United States has come to be a unified, standardized system, so far as the technique of construction and operation is concerned, a result which could not have been accomplished except by the specialization of accounting records and the formulation of uniform rules, wherever independently owned properties come into contact for the purpose of co-operative operation. It is this situation which gives to American railway accounting a significance of its own.

Contractual Unity. The accountant's definition of a railway unit recognizes, also, the contractual unity of a large number of independently owned properties. The Statistical Division of the Interstate Commerce Commission carries on its mailing list the names of more than two thousand railway corporations that maintain, for one reason or another, an independent legal existence. Of this number, something over eight hundred are "independent operating roads." The number of railways that receive a gross revenue of one million dollars and above are one hundred and eighty-three, which lines cover eighty-nine per cent of the operating mileage of the country and ninety-seven per cent of the operating revenues. If these so-called independent railways were grouped by systems, the impression of a centralized financial interest, as well as of operating control, would be emphasized. This centralization is attained by contractual organization, but each contract comes to be for the accountant a distinct legal entity whose interests must be separately measured and truthfully recorded.

From the above cursory statement, it is apparent that

the accountant's definition of a "steam railway" does not express a simple conception. It covers many classes of property, many kinds of interline agreements and many sorts of inter-company contracts. The accountant does not control commercial and business conditions. He must take them as they are, and devise for them a system of records which, while comprehensive and accurate as to details, will not only meet the needs of the various classes of operating officers, but at the same time work into a few generalizations and simple statements that may be accepted as measuring the degree of success attained by the business, and as showing the probable trend of the business for the future. His task is no light task.

§ 9. Analysis of Railway Functions.—The selection of a satisfactory framework for railway records and accounts calls for the analysis and correlation of railway functions. Not all of the functions disclosed demand special accounting recognition, but all without exception fall within the survey of the accountant and touch, either directly or indirectly, his responsibilities. The analysis here submitted may not be satisfactory when considered from all points of view, but it does serve to indicate those general groupings of transactions which determine the accounting structure. It follows the normal growth of the business and, in order that the discussion may not be unduly extended, it is submitted as an outline with cursory comment.

OUTLINE OF TRANSACTIONS

CONSTRUCTION. Construction, as here used, stands for the building of the physical property. Expenditures for construction are the "cost of property" ready for

operation, exclusive of so-called "development costs." It covers the three following functions:

1. *Economic Engineering,* which covers the preliminary commercial survey, the study of traffic conditions, the localization of material for construction and operation, the character and cost of labor, and all other information necessary to enable an investor to determine whether or not a proposed investment of capital is safe and wise.
2. *Construction Engineering,* which covers the investment of money with a definite physical form. It covers "original construction," and construction technically known as extensions, improvement, additions and betterments.
3. *Financial Engineering,* which assumes the task of furnishing the money required for construction work in adequate amounts and at the time when the money is needed; of determining the kind of liabilities to be assumed by the enterprise as a means of obtaining the necessary funds; and of deciding on the corporate form to be assumed by the property. System building, also, is a financial function.

Organization. Organization is never an accomplished fact. Constant change in the conditions under which railway property is administered demands a corresponding change in the form of operating and of administrative supervision. Frequent readjustments are necessary to guard against disintegration of control and to ensure the operation of the property at its highest economic efficiency. For these reasons, organization, like construction and operation, is

treated as a railway function. It covers the following lines of adjustment, each of which shapes, to some extent, a system of railway accounts.

1. *Organization for Control.* This phase of organization contemplates a clear demarkation of authority and a definite localization of responsibility. It discloses to the accountant the source of the authority upon which he must rely for all primary audits and accounting records. Indeed, the organization of the Division of Accounts is determined by the general organization of the property for the purpose of control. The distribution of items in the accounts follows in large measure the operating organization of the property.
2. *Organization of Inter-departmental Relations.* These relations may be either administrative or operating; they may reflect either the "divisional" or the "functional" theory of control. They are of importance in shaping a system of accounts because they determine, in large measure, the form and contents of statistical statements designed to secure efficiency and economy.
3. *Organization of Inter-operating Relations.* Under this head are included that large number of contracts or agreements by which the property of different companies or agencies are brought under an orderly, continuous, and standardized control. While they do not affect in any marked degree the broad structure of accounting classifications, they do, because of the relative equities involved, submit to the accountant some of the most difficult problems with which he has to deal. The structure

of an accounting system must be adjusted to the requirements of the contracts and agreements that underlie this phase of organization.

4. *Organization for Standardized Practice.* Reference was made above to the fact that American railways have come to be an operating unit notwithstanding the fact that they are owned by private companies. The bearing of this phase of organization upon the structure of railway accounts, is to place emphasis on the necessity of a uniform treatment of inter-line audits and records, and a uniform practice in rendering and accepting inter-line and inter-company bills. The structure of an accounting system for every railway should be so drawn that its balances, combined with corresponding balances of other roads, will produce correct totals for all roads.

5. *Organization affected by Government Supervision.* As already explained, the railway accountant is responsible for the observance of accounting orders promulgated on government authority. Every administrative ruling of the government, and every law touching railway practice, must be known by the accountant, and the structure of his accounts must be adjusted accordingly. The point is that the government, so far as it may see fit to exercise the function of administrative supervision, must be recognized as a source of positive authority, and no accounting structure will be satisfactory that is not adjusted to this situation.

OPERATION. In its comprehensive sense, railway operation covers the maintenance of the property, the

sale of transportation, the service of transportation, and those functions of general supervision and management which make the transportation machine work smoothly in all its parts. The credit transactions that spring from railway operation give rise to what is known as Revenue accounting. The classification of revenues and the rules laid down for the audit and the entry of revenue constitute a distinct, semi-independent branch of railway records. The same may be said of debit transactions arising out of operation. This gives rise to Expense accounting; that is to say, to the classification of and rules for recording operating expenses.

Under operation, also, are included the management of properties whose capital is covered in the general balance sheet, but whose services are connected with the business of transportation in an indirect manner only. The manufacture of ice for refrigeration, and the operation of dining cars, are illustrations of such operations. The records of operations of this class must be kept separate from those of transportation proper,—or at least they should be kept in such a manner that no confusion may arise as to the various sources of revenues or occasions for payments.

Railway operations, however, exclude a business entirely foreign to transportation, notwithstanding the fact that the capital with which such a business is carried on is furnished by a railway corporation. In case a railway owns and operates timber property, or coal fields, the management of these properties should be regarded as entirely outside the legitimate

business of transportation, and the accounts should reflect the separation. A system of railway accounts should be confined to the service of transportation.

Further analysis of the operating functions of a railway would encroach upon the special discussion of revenues and expenses which will claim subsequent attention. From what has been said, it must be evident that the larger number of railway transactions to be recorded center in operation and, consequently, that the requirements of operation exert a very considerable influence on the structure of a system of railway accounts.

Corporation Transactions. Every business carried on for profit is clothed by the accountant with a distinct personality. This he does in order to measure the periodic gain or loss resulting from the activities of a property, or to ascertain its financial standing. In the case of a railway this may be readily done, for most railways are incorporated and, on this account, are able to express their business unity through the legal personality which incorporation creates. It is the corporation that borrows money and assumes the liability of accruing interest. It is the corporation that invests money in foreign enterprises and is the recipient of the accruing benefit in the form of dividends, interest, or profit. It is the corporation that acts as trustee for funds belonging to its employees, and by contract becomes a contributor to such funds. It is the corporation as an individualized unit that enters into a quasi-agreement between itself as a person and the business which it represents. The adoption of a rule that the amortiza-

tion of discounts on outstanding bonds shall be spread over the life of the bond, may be cited in illustration of such a quasi-agreement.

The point here emphasized is that the business functions of a property, those functions that bear the imprint of contractual personality and financial responsibility, are essentially different from the operating functions that arise on account of the industrial use of the physical property. This distinction is most significant, for it draws the line between the revenue accounts and the income account.

Functions of Ownership. Back of the corporation, which as a legal personality holds the title to the property, stands the stockholder who is the actual owner, and the bondholder who is the contingent owner, of the property. The analysis of functions that pertain to an active railway cannot be closed without reference to those transactions by which the owner's interest is expressed. Is there a deficit,—how is the deficit to be met? Is there a surplus,—for what is the surplus to be appropriated? Questions like these and many others touching general policy, future development, the balancing of present and future interest, are ever present and demand continuous answer. Transactions resulting from instructions relative to general policy center in what the economist calls the entreprenneur's interest, but which more simply expressed, is the interest of the owner. All transactions of this sort reflect the decisions of the management, and the accounting structure should be such as to enable them to be

easily traced and their results accurately measured. The influence of the owner may be seen through the entire accounting system, but it is especially apparent in the appropriation records and the general balance sheet.

§ 10. The Classification.—Notwithstanding the somewhat extended list of transportation agencies, the diversity of definitions descriptive of steam railways, and the broad field covered by the analysis of railway functions, the general structure of railway accounts is comparatively simple. It is a triumph in the art of analysis that the complicated transactions of railway construction, railway operation, railway financiering, and railway policy-making, can be satisfied by so simple a structure as that which underlies the standardized system of accounts used by American railways. The classifications which comprise this system, and which were promulgated by the Interstate Commerce Commission for the use of inter-state railways, are given below. The titles, and the order of presentation are slightly different from the Issues of 1914 appended to this treatise.

I. *Classification of Expenditures for Road and Equipment.* This classification covers the cost of the property as shown by the records of the construction engineer. It covers the original cost and the cost of extensions, additions and betterments to the property subsequent to the date when it is taken over for the purpose of operation. The balance shown by construction records is the first figure that appears on the assets side of the general balance sheet. The detailed discussion of construction accounting will be found in Chapters III and IV of this treatise.

II. *Classification of Operating Expenses.* What is technically known as operating expenses is confined to the direct cost of rendering the service of transportation, but the expenses incident to ancillary operations must be added before arriving at a total for the purpose of disclosing the net revenues of operation. A discussion of this class of debit transactions is found in Chapter V.

III. *Classification of Operating Revenues.* This classification covers the credit side of transportation services. It covers, also, or rather there is combined with it before arriving at the gross of operating revenues, such revenues as accrue from operations ancillary to transportation by rail but which are not, strictly speaking, transportation services. The balance which results from deducting operating expenses from operating revenues stands for the current operating profit. It is the net operating revenue. The consideration of this phase of accounting will be found in Chapter VI.

IV. *Classification of Income Accounts.* From the net revenue from operations are deducted taxes. The remainder stands for the operating income of the corporation. To this are added the contractual income which accrues from investments, and the sum is the gross corporate income. Against this amount is charged contractual payments, such as interest, rent, and the like, and the remainder is the surplus at the disposal of the corporation. It may be paid out in dividends, it may be returned to the property, or it may be carried as a free accumulated surplus. The debit and credit entries thus outlined make up

the income account. It is a separate statement and complete in itself, for the reason that it reflects the corporation's contractual interests. The resulting balance gives the annual corporate surplus. A discussion of the income account will be found in Chapter VII.

V. *The Profit and Loss and Appropriation Accounts.* In order that the accountant's records may reflect a true history of the life of the property, it is necessary that the transactions of a current year should be incorporated with the accumulated results of past transactions. This is the peculiar function of the profit and loss account, of which the appropriation accounts may perhaps be regarded as a part. These accounts also disclose the operating and financial policy of the management, and for that reason, if for no other, should be regarded as an independent group of comprehensive accounting entries. These topics form the basis of discussion in Chapter VIII.

VI. *The General Balance Sheet.* The general balance sheet is the center of the accounting system. Its purpose is to disclose the financial standing of the property on the date on which the balance is struck. It submits a comparison of assets and liabilities, properly classified, and the final balance which the comparison shows, is the measure of the accumulated surplus or accumulated deficit resulting from the operation of the property during its operating existence. This surplus is subject to an analysis which discloses, in some degree at least, the character of the assets which the surplus represents. Its function, also, is distinct. The balance sheet is considered in detail in Chapter IX.

CHAPTER III

CONSTRUCTION COSTS PRIOR TO OPERATION

From the construction accounts of a railway, one should be able to read the cost of its physical property. For the most part, these accounts cover items of expenditure for material and labor used in the building of a railway plant, and the amounts spent in the purchase or building of equipment; but they also provide for the recording of incidental receipts that accrue, or credits that are made, while the property is under construction. The balance of these debit and credit entries should give the true cost of the physical property to the investor.

Railway construction accounts are commonly confined to the building of the physical property; they have nothing to do with the building of a business through the use of such property. What is sometimes called the "developmental cost" is a different thing in itself from construction cost, and involves a different class of expenditures. It may be that, for certain purposes, these two classes of expenditures should be brought together, but that does not mean that they belong to the same accounting classification. The construction accounts used by American railways are properly confined to the building of the physical plant.

The balance of construction accounts, if struck at the time the property is transferred from the contractor or construction engineer to the operating department of the railway, stands for the original cost of the property;

if the balance be struck at a date later than the date of transfer, it stands for original cost as affected by subsequent transactions. It has little or nothing in common with present reproduction value (that "fog zone" of commissions and of courts); it may differ widely from inventories which are influenced by changes in prices subsequent to the close of original construction; it may even lose in large measure its accounting identity as the result of expenditures for additions and betterments designed to realize the advantages of new inventions. But, notwithstanding all this, the figure is significant, and its content must be fully appreciated by one who desires to understand the first item which appears on the assets side of the general balance sheet; namely, "Investment in Road and Equipment." It is the peculiar service of the classification of construction accounts to define in detail original cost.

§ 11. Close of Original Construction Records.—Expenditures chargeable to the property account are either original expenditures or expenditures subsequent to the transfer of the property to open line work. The present chapter deals with original expenditures. It is sometimes difficult to determine correctly the date of transfer. Any uncertainty on this point may involve serious consequences for those who are interested in construction contracts or who assume operating responsibilities. Indeed, the amount chargeable to capital is itself affected by the date assigned for the close of the construction period.

Interest during construction, for example, is a construction charge, but an undue or unreasonable extension of the construction period would overburden the cost of property by unwarranted interest charges. The same

may be said of the salaries of construction engineers, amortization charges (should such charges be allowed), or the maintenance of machinery used during construction.

Several rules have been set up for the determination of this date, but the most acceptable rule is the one which selects the transfer of the interest charge from capital to revenue as proof of the transfer of the property from construction to operation. Not only is this rule definite and exact, but the conditions which justify a charge of interest to capital are so clear, as to render a continuation of that charge beyond the construction period a flagrant disregard of accounting principles. Some degree of operation may be carried on during construction, and certain kinds of construction work may be done by the operating department, but the conditions which warrant such a procedure are not of the sort which render uncertain the proper treatment of interest charges.

§ 12. Analysis of the Classification.—The standardized classification of construction expenditures provides for three general and sixty-two primary accounts. The general accounts are designated as:—

Road,
Equipment, and
General Expenditures.

Under the caption Road are included forty-seven primary accounts which cover the purchase of the right of way, the preparation of the right of way for the track, the track itself, and all appurtenences attached to the right of way to make it ready for the movement of trains. It also includes all buildings and structures required for the production and sale of transportation, as well as road

machinery and tools to be used in the maintenance of the property when taken over for operation. A reading of the titles of the primary accounts under this general heading will give a concrete idea of what is meant by the word Road.

Under the general account Equipment are included the cost of locomotives, of all sorts of cars, motor equipment, work equipment, floating equipment or ferries, tugs, floats, and the like, used in railway transportation, and of all other kinds of property classed as equipment rather than as road. In this classification road and equipment together cover all items of physical property designed for use in what is known as the railway service.

General Expenses are those which must be incurred for the construction of a railway, but which are common to both Road and Equipment such as organization expenses, general office expenses, legal expenses, taxes, and interest during construction. The exceptions to this statement are neither numerous nor important.

The selection of titles for the primary accounts is not so simple a matter. For the discussion of this question it may be well for the reader to familiarize himself with the titles that are used by the standard classification. These may be found in Appendix A. The general principles which control the selection of titles, however, may be readily stated.

In the first place, these accounts stand for congruous groups of expenditure, and their relative amounts measure the cost of specific classes of property or of services which are general to the entire property. The property itself, therefore, or the class of services rendered by the property, suggests many of the titles given to the pri-

mary accounts. For example, "Engineering" covers the cost of all surveys, drawings, specifications, and the like, preparatory to the work of actual construction. "Grading" stands for another group of congruous expenses, and the fact that grading is frequently done on contract gives an added reason for its separate treatment. "Bridges, Tunnels, and Culverts" are carried in a primary account. Their construction is a specialty, and in large jobs the supervision over their construction is given to a special department of the construction force. The material thus gathered for the scientific study of bridge construction is of itself ample justification for a separate treatment of bridge expenditures in the classification. The classification of primary accounts by congruous groups of expenditures reflects the peculiar interest of the construction engineer.

In the second place, the responsibilities of the auditor, whose duty it is to certify to the accuracy of the construction charges, and to distribute capital expenditures in such a manner as to enable him to compile reliable and enlightening statements, should be permitted to influence the framing of a classification of construction expenditures. This means that the classification must fit the organization of the market which supplies the purchasing agent with those things that are needed for the construction of a railway. The organization of the market reflects the organization of the industries that produce the material purchased, and this organization for production, in its turn, is determined by the extent to which and the manner in which the economic principle of division of labor is applied. In this fact is found the controlling principle for the selection and definition of the primary

accounts which make up the classification of construction expenditures. Indeed, the test of a satisfactory classification is the extent to which it conforms to the principle of division of labor as shown by general business conditions. If it should be found that these classifications are out of line with the line that separates those industries that produce the goods that railways need, this fact would be a serious criticism on the classification.

One cannot say, however, that the selection of the primary accounts found in the standard classification of construction expenditures is the result of the conscious recognition of the principles of selection named above. Such a statement, if made, would not be true. The accounting rules followed by construction auditors are the result of years of experience. These standard accounts grew; they were never made. They assumed their present forms because of the necessity imposed on auditors of checking the accuracy and reasonableness of vouchers that carry expenditures. This cannot be done except on the basis of some knowledge of the cost of producing those things that are brought, or of the prices which they currently bear. This is specialized knowledge, and cannot be gathered for an effective audit except along the lines laid down by the organization of productive industries; that is to say, except on the lines prescribed by the economic principle of division of labor. Every primary account in the classification is an example of the application of this principle.

Another consideration in the classification of construction expenditures, is the use to be made of the construction accounts by those who are responsible for the financial and operating administration of the property subsequent

to the close of the construction period. No classification of construction expenditures is wholly satisfactory unless it enables the grouping of expenditures used by the construction engineer to be followed by the engineers in charge of addition and betterment work, and by the superintendents in charge of maintenance work; that is to say, the same principles of grouping should be followed, so far as the property is concerned, by the construction accounts, by the addition and betterment accounts, and by the operating expense accounts.

A single illustration will place the reason for such a rule beyond dispute. If the construction classification shows the cost of bridges, and the operating expense accounts show the annual charges for repairs, replacements and depreciation of bridges, the ratio of the cost of annual maintenance to the cost of the property maintained provides a check against either parsimony or extravagance in the maintenance of this class of property. Such a ratio can only be established on the basis of an harmonious clasisfication of construction expenditures and of operating expenses. It is highly important, therefore, that construction expenditures should be classified in full recognition of the requirements of economical administration after the property has been turned over for open line work.

§ 13. Does Cost Measure Investment?—The title of the classification of fixed capital expenditures promulgated by the Interstate Commerce Commission in 1907 was "Classification of Expenditures for Road and Equipment." The revised classification published in 1914 is issued under the title "Classification of Investment in Road and Equipment." This seems to imply that, in the

later opinion of the Commission, the word "investment" is synonymous with the word "expenditure," for it cannot be assumed that the general character or purpose of the classification has been changed.

The question thus raised is an interesting question. It has a more or less direct bearing on the determination of a reasonable rate as that phrase seems to have been interpreted by Court decisions. It is not intended to discuss this question in all its bearings. Attention may, however, be called to the opinion that, from one point of view, the substitution of the word "investment" for that of "expenditures" seems to be unfortunate. "Investment" is the broader word. It includes not only the expenditures incurred in the building of the physical property as measured in cash, but also the subsequent burdens incurred by the stockholders during the period in which the property is growing into a profitable business enterprise. This distinction was expressed by Mr. Franklin K. Lane, of the Interstate Commerce Commission, when discussing the meaning of "fair value" in connection with the first of the "Advanced Rate Cases." He said:—

> The trend of the highest judicial opinion would indicate that we should accept neither the cost of reproduction . . . nor the capitalization . . . nor the price of stocks and bonds in the market, nor yet the original investment alone as the test of present value for the purpose of rate regulations. Perhaps the nearest approximation to a fair standard is that of a *bona fide* investment, the sacrifice made by the owners of the property . . . considering as a part of the investment any shortage of returns there may be in the early years of the enterprise. Upon this, taking the life history of the road through a number of years, its promoters are entitled to a reasonable return.

It is evident that cost does not measure investment in the broad sense in which that word is used above. No accountant can, from any records in his possession, measure a "*bona fide* investment," and to ask him to keep a set of accounts the final balance of which is investment in road and equipment is to hold him responsible for what in fact is a judicial determination. For these reasons, the word "*cost*" and not "*investment*" will be used in the discussion that follows. Cost is certain and definite. It can be checked against vouchers and bills. Were it possible to check investment with equal certainty, a court would have no standing in the consideration of this phase of a rate question.

§ 14. **The Basis of Construction Charges.**—The basis of charges to the construction accounts is cash. The cost which these accounts record is, or should be, the measure of the money investment at the time and under the conditions when the investment is made. The pertinency of this rule will be conceded when one calls to mind the quite general practice of railways, in years gone by, of making outstanding credits rather than cash the measure of the book cost of the property. So far as formal records are concerned, this was done by setting up on the assets side of the balance sheet, under the caption Cost of Road and Equipment, an amount equal to the par value of the securities issued to secure the money with which to build the property. Evidently, this amount might be more or less than the cash cost, according as the securities were sold at a discount or at a premium, to say nothing of the issue of bonus stock. Such a discrepancy would not arise, provided all charges to the construction accounts were reduced to a money or a cash basis, and, provided

further, that the total of construction expenditures be transferred to the balance sheet as the cost of the property. It is evident that the figure thus transferred could be checked at any time by an inventory, due allowance being made for appreciation and depreciation, and for changes in prices and in the type of property used, subsequent to the close of the original construction accounts; but, in order to prepare for the application of such a test, the original charges should be made on the cash or money basis.

The difficulty in applying this rule is found in the quite general practice of building up large operating systems through the purchase of roads that were originally built by contract or by independent corporations. Especially difficult is it to arrive at a just measure of the money cost of the property, if the purchase is executed by the substitution, at some agreed ratio, of the securities of the purchasing company for those of the selling company. The manner in which the Interstate Commerce Commission aims to meet this situation is found in the text of Account 41, "The Cost of Road Purchased." The text of that Account reads:

> When the consideration given for the property purchased is other than cash, such consideration should be valued on the current cash basis. If the consideration includes the assumption of liabilities, such liabilities shall be included in the determination of the cost at their cash value at the time the contract is made.

This, perhaps, is as near as it is possible to realize the rule, except in those states where the Legislature assumes accounting jurisdiction over railway contractors, or requires a detailed inventory of the line purchased at the

time it is transferred to, or merged into, the property of the purchasing company. The rule that all entries in the construction accounts must be reduced to a cash basis cannot be too strongly emphasized.

§ 15. **Labor and Material.**—The extent to which labor cost and material cost should be kept separate has been the occasion of considerable discussion. As a matter of fact, there are very few primary accounts in the classification of construction expenditures that do not cover both kinds of payments. Indeed, if the primary accounts are drawn to reflect the different kinds of properties and the different services rendered, it is not necessary, from the point of view of any responsibility assumed by the construction engineer, or by the auditor of construction accounts, to separate the cost of labor from the cost of material. This is the general answer to the question raised.

By turning to the list of primary accounts given in Appendix A, it may be observed that most of them cover the total cost of specific kinds of property, and, as a result, include both labor and material costs. For example, Account 19, "Fuel stations"; Account 23, "Wharves and docks"; Account 27, "Signals and interlockers," cover labor costs although no specific mention is made of labor. The same is true of less numerous but more pretentious kinds of property. For example, Account 28, "Power dams, canals, and pipe lines," or Account 45, "Power plant machinery." The significant thing in providing primary accounts of this sort is to gather together as a ledger entry the capital tied up in specific kinds of property built for the purpose of rendering certain definite services.

There are, however, a few cases in which the cost of

material is so significant a factor, in the economic building and administration of the property, that it is given separate and independent primary accounts. This is true of Ties, Rails, Other Track Material, and Ballast. The labor of distributing, laying, and adjusting ties, rails, and other track material, is carried to another account called "Track Laying and Surfacing." These accounts together represent the cost of the roadway after the graded and bridged right of way has been constructed. In this case, the analysis of cost into material and labor seems reasonable because of the significance of the method followed in the purchase of ties, rails, and ballast, and of the advantage to the Superintendent of Maintenance of Way and Structures to know the original unit prices for these materials. There seems, however, to be no controlling reason for a complete separation of labor and material in all of the primary accounts of the classification of construction expenditures.

§ 16. Real Estate.—No item of cost in construction accounts has been the subject of greater controversy than the cost of real estate. Considerable portions of real estate now used in the transportation service of American railways were donated by the public as an inducement for individuals to subscribe the capital necessary for building the superstructure. The records also show that a considerable portion of real estate was purchased originally at a very low price. The value of all real estate used by the railways has appreciated along with the general rise of land values, and the question consequently arises whether or not the public should pay freight and passenger charges sufficient to support the present estimated land values of the land used in the transportation service.

While the accountant is not called upon to decide, or even to consider, a question of this sort, he is responsible for furnishing construction records that show the actual cost of the real estate used in transportation. It is for courts and commissions to determine whether or not this figure, increased by subsequent appreciation, should be included as an element in the true measure of investment; that is to say, in the figure to be used for testing reasonable rates.

It will be noted by referring to the list of accounts given, that the primary account in the construction classification which records the cost of land is confined strictly to "Land for Transportation Purposes." This limitation is necessary in order that the balance of construction accounts may truly measure the amount of capital devoted to rendering the services of transportation. The corporation which owns the property may have financial interests involving land ownership quite independent of the business of transportation, but these interests should be recorded as a separate set of accounts, or a separation by some other means should be made between the two classes of real estate. In no other way is it possible to arrive at the true cost of rendering a transportation service.

A common experience of construction engineers is that more real estate must be purchased than is used for transportation purposes. This results from the fact that it may be cheaper to buy an entire farm, than to pay damages to that farm by running a line diagonally through the property. The same may be true in the purchase of land for borrow pits, for levees or dams, for the protection of bridges, and for any of the many purposes to which land is put by a railway construction engineer.

Under such conditions, the appraised value of the land outside of the right of way and not used for transportation purposes, should be deducted from the amount of money actually paid for the property and carried in a real estate account. When the property is turned over to an operating company, this figure should be carried on the balance sheet under some appropriate heading, but it should not be included in the cost of the property used for transportation purposes.

§ 17. Interest and Discounts.—In the building of any property, considerable time must elapse between the inception of the project and the completion of the work. It is, therefore, one of the essential conditions for carrying on construction work in an economical manner that provision be made at the outset for a sufficient amount of capital to enable the work of construction, once begun, to be completed without interruption. An interruption of a construction program means a waste of capital. To some extent, the policy of adequate financial preparation may be the occasion of idle funds, or of cash on hand that must be loaned out at rates of interest lower than the rate paid; or, assuming that funds can be borrowed for delivery as needed, it is still true that capital is invested in roadway and rolling stock some considerable time before the property can be turned over for operation. It is manifestly impossible that payment of interest on the capital borrowed should be deferred until such interest can be paid out of the operating revenues. At normal rates of interest, no capital would be secured by the sale of bonds under such conditions, while the promise of abnormal rates to induce lenders to forego interest payments for two or three years would, in the long run, prove to be

an unnecessary burden on the enterprise. It is considerations of this sort that justify the rule that interest which accrues on borrowed capital during the construction period of a property, is properly included in the cost of the property.

Bona fide commissions also, that is to say, payments for the sale of bonds or the handling of securities, are regarded as an element of cost. Such commissions are compensation for a service rendered.

The treatment of discounts on securities sold raises a somewhat different question. It has frequently been urged that discounts are costs, and that provision should be made for them in the construction accounts. Except as heretofore explained, the rule laid down by the Interstate Commerce Commission excludes discounts from construction charges. They are not regarded as an element in the cost of the property.

A technical defense of this rule is found in the general principle already enunciated that construction charges should represent cash transactions, or that they should be reduced to the cash basis. A property built out of the proceeds of securities that sold at a 20% discount would show in its construction accounts only 80% of the par value of the securities sold in order to procure the cash with which to build the property. Eighty cents only is put into the property for every dollar of liability incurred. To include the 20% discount would be to accept credit instruments as a measure of the cost of the property rather than the cash expended.

It is sometimes urged that discount is in fact a deferred interest charge, and that for this reason it should be treated in the construction accounts in the same way as

straight interest accruals. This is one of those loose statements which is either true or false, according to the definition assumed of the terms used. Discount as such is not interest. According to strict computation, a 4% bond sold at eighty is equivalent in all respects to a 5% bond sold at par. For the amount of cash delivered by the lender the annuity paid by the borrower is the same in either case. For every one hundred dollars capital put into the property, five dollars a year must be paid as interest whether the money be obtained by the sale of a 5% bond or a 4% bond.

As a matter of fact, however, no such market ever existed. A market which will absorb a 5% security at par would buy a 4% security at less than 20% discount. Instead of paying eighty for a 4% bond, such a market, other things being equal, will pay eighty-two, or eighty-three. This means that for a given interest annuity, a slightly increased amount of capital can be secured by selling bonds at discount rather than by selling them at par. Should a 4% bond sell for 82, the rate of interest actually paid would be 4.875+%. To finance a project in this way would result in a saving of twelve and one-half cents on every one hundred dollars borrowed. To this extent, the interest burden during the period of construction is less than would have been the case had the bonds been sold at par.

What, then, is discount if it be not interest? It is a bonus in the form of a promise on the part of the borrower, to return to the lender, fifty years after date, one hundred and twenty-five dollars for every one hundred dollars borrowed. Bonus stock is frequently issued to induce lenders to invest in bonds, but no one ever suggested that

the stock thus issued gratuitously should be classed as interest. The two inducements, however, are of the same sort. Both of them, the bonus stock and the discount, are independent items in the bond contract. They are both in the nature of a bonus to induce lenders to accept a rate of interest lower than the ruling rate.

If discounts are a bonus, do they properly find a place in the construction accounts? The answer to this question is clearly in the negative. The object of discount financiering is to transfer a burden from the construction accounts to the operating accounts. Operating revenue must eventually bear this burden and make good the bonus. To charge this bonus to construction would, in effect, result in the duplication of the burden, for it must be remembered that, under the accepted procedure for testing railway rates, the public, when it buys railway service, pays a reasonable interest rate on the investment cost of the property. If, now, discount be made a part of construction cost, such a charge to construction imposes a perpetual burden on future revenues to the extent of the interest accruals required for its support. But this does not satisfy the contract. In addition to this interest accrual which continues in perpetuity, there must be accumulated out of operating revenues a sum, equal to the discount, to be handed over to the lender at the maturity of the bond. No accounting rule is sound which results in imposing on a business a double burden. This is one reason why discounts should be excluded from construction costs.

Another sound rule of accounting is that what must be paid out of revenue should be charged against revenue, and the charging of discounts to construction disregards this rule.

The original accounts promulgated by the Federal Commission excluded discounts from construction costs; the Revision of 1914 provides for the inclusion of a portion of the discount as a construction charge. The title of Primary Account 76 is "Interest during Construction." The text defining this account reads in part as follows:

> This account shall also include such portion of the discount . . . as is equitably assignable to the period between the date of the actual issuance of securities and the time when the property . . . becomes available for the service for which it is intended.

That is to say, in the case of a forty-year bond sold at 20% discount, the construction period being two years, for each one hundred-dollar bond, one-fortieth of twenty dollars multiplied by two, or one dollar, would be charged to the construction account. The remainder of the discount, or nineteen dollars, would be charged against revenue during the remaining thirty-eight years of the life of the bond.

This adjustment is not as bad as the practice of the railways prior to 1907. Then the entire amount of discount was charged to construction. This meant, for the case stated above, that for every eighty dollars worth of property as it came from the hands of the construction engineer, the property account, as well as capital, would show one hundred dollars. According to the Commission rules of 1914, it would show only eighty-one dollars. Under strict accounting analysis, however, the inclusion of one dollar of discount as an item of cost is as culpable as the inclusion of twenty dollars. Interest on the one dollar may be claimed in perpetuity as a

charge against revenues, notwithstanding the fact that this amount must be paid to the lender in the final settlement of the loan contract, along with the other nineteen dollars. A public service corporation, interested in the creation of the largest amount of securities on a given property asset, would naturally favor the capitalization of discounts; but it is a little strange that the Federal Commission, which is supposed to hold in mind the interest of the public as well as that of the corporation, should have approved, even in a slight degree, a return to the former practice.

§ 18. Depreciation during Construction.—The fact that railway properties require considerable time for their completion, raises the question of the proper treatment of depreciation during construction. This has nothing to do with the treatment of current repairs of machinery, equipment, or tools used in construction work. The cost of such repairs is a construction cost and goes to the primary account that stands for the class of property benefited. The value of the repairs stands in the property when turned over for operation. For example, an hundred dollars spent on the repair of a car that has been impaired by use in bridge construction should be charged to bridges. Both car and bridge will, by such treatment, be handed over to the operating department at their true cost unless affected by some other item than repairs.

Difficulties may arise in the application of this rule, but the rule itself is approved by accounting sense. It also leads to a fruitful generalization. Whenever a construction charge can be settled, and the accounts cleared during the construction period, no depreciation problem can arise; but when the dissipation of an asset is of such a

sort that a final accounting cannot be made until after the close of the construction period, some of the reasoning that underlies depreciation is brought into play. For example, the wear of a car that can be covered by repairs is paid for and settled during the construction period; but the loss in the value of a car with a normal life of twenty years, because it is used for two years in construction work, cannot be adjusted until the car is retired, eighteen years after its transfer to open line work. A depreciation problem arises in this second case. What is to be done with this one-tenth of the original cost of the car which has been dissipated in the construction service?

There is no question, so far as the correct distribution of cost is concerned, but that an amount equal to the depreciation of the car should be charged to the work benefited. In the case of the car used in hauling bridge material, for example, the decrease in the value of the car during two years' use (that is to say, one hundred dollars for a thousand dollar car of twenty years' life), should be charged to bridges. The bridge account would not, otherwise, carry its true cost. But how is the car account to be treated? Shall this account be credited with one hundred dollars, by which means the book statement of the original cost of the car is reduced to its value on the date of transfer, or shall the car account, when transferred to the operating department, carry the original cost of the car?

If the car account is credited with depreciation, at the same time the bridge account is charged, it is evident that the construction accounts have not been charged with depreciation. The total cost of the property as a whole has

not been affected. Such accounting does no more than localize the construction value of the property as between the various primary accounts. It is a sound procedure, but it does not result in a charge for depreciation to construction. If, however, the car account is not credited with the amount charged to bridges because of the depreciation of the car, the total book cost of the property is thereby increased. Depreciation, under such an assumption, is charged to construction, but such a charge is especially bad accounting. No accounting rule can be approved which results in the conversion of a lost value into a capital investment. When a property is transferred from construction to operation, its book cost should carry no charge for depreciation that has accrued during the construction period. If, in order to localize values as between different classes of property, a charge for depreciation has been made to one primary account, it must be offset by a credit to some other primary account. It is a little strange that so manifest a truth should call for statement.

The real question that arises in connection with depreciation during construction, pertains to the credit rather than the debit side of the construction accounts.

Many classes of railway property suffer depreciation, although such property is not used in construction work. A station, for example, has a normal life of fifty years, but two years of that life is passed before the general property is transferred for open line work. One twenty-fifth of the original cost is thus dissipated through time and weather during the construction period. Assuming ties to have a normal life of seven years, one or two-sevenths of the original cost of the ties may have dis-

appeared before a wheel earning revenue is hauled over them. With the exception of real estate and some features of the right of way, depreciation begins the moment a unit of physical property is set up, and continues until it is retired from service. Shall the property as a whole be transferred to the operating department at a cost as it stands on the books of the construction engineer, or shall this transfer be made at a figure reduced by the accrued depreciation of the property?

A definite answer may be given to this question. No deduction should be made for depreciation. Original construction should be closed on the basis of cash expenditures. The book value of the property should carry depreciation until such time as the property begins its operating life, when full responsibility for the restoration of all dissipated assets will be assumed by operating revenues. The reason for this may be stated in a few words, although such a statement involves several accounting principles.

In the first place, depreciation of any kind, no matter when it accrues, creates a liability. It stands for the dissipation of an asset which must in some way be made good. To fail to provide for making this good, as would be the case if the property were transferred to open line work at a depreciated figure, would, to the extent of the depreciation thus written off, devalidate outstanding securities. Such a result is unthinkable.

In the second place, it is not possible to make good the dissipation of assets called depreciation by the sale of new bonds. The difference between the original value and the depreciated value of the property stands for an accrued liability of the business, and liabilities cannot be extinguished by substituting one form of liability for another.

The only effect of replacing dissipated assets called depreciation by the sale of new securities, would be to render permanent what otherwise would be a temporary devalidation of securities.

In the third place, if lost values during construction must be restored to the property, the only fund available for this purpose is the operating revenues that accrue to the property after it has passed into the hands of the operating department. To replace dissipated assets is a function of maintenance, and maintenance is an operating expense charge.

It is then concluded that depreciation during construction cannot be charged to construction in any such manner as to increase the construction cost of the property beyond cash expenditures. The replacement of depreciation of all kinds and sorts must be borne by charges to operating expenses spread over the operating life of the property. Any other conceivable treatment results either in a duplication of maintenance charges, or in the devalidation of outstanding securities.

§ 19. Credits during Construction.—Speaking generally, construction credits are of two kinds. They are a record of adjustments pertinent to items or amounts previously charged, or they are receipts from transportation services rendered prior to the transfer of the property for operation.

Adjustment credits should be made to the account that carries the original charge. For example, in order to secure a proper right of way, or grounds for terminals, yards, or sidings properly located, it may be necessary to purchase more land than is actually required. When the necessary amount of land is finally determined, the value

of this excess, or the proceeds of its sale, if sold, should be credited so as to leave in Ledger Account 2, "Land for transportation purposes," the value or cost of the land actually used. Proceeds from the sale of timber, or stone, or of any improvements purchased with the land, should also be credited to this account. Should the stones or timber bought with the land be used in the construction of a bridge, their value should be charged to the bridge account as an offset to their being credited to real estate. Their value is in the property, but not in the form of land.

Another illustration is found in the treatment of tools or machinery purchased for construction, but not wholly consumed in construction work. The estimated value of such tools at the close of construction should be credited to the accounts to which they were originally charged, the corresponding charge being determined by the use which it is designed to make of the tools or machinery after the completion of construction work. If the machinery and tools in question are of a sort to be used in open line work, the residue of value not consumed in construction may be charged as a part of the "initial outfit of roadway machines," or the "initial outfit of roadway and track small tools," (Accounts 37 and 38) for which the construction classification provides. If the machinery and tools in question are not adapted to open line work, they should be carried as a balance sheet asset until transferred for new construction work, or converted into cash through sale. The purpose controlling this kind of construction credits is simple.

The second kind of construction credits covers any receipts or revenue that may accrue during the period of

construction. Thus, rents received from the loan of property, or revenues from incidental freight or passenger traffic, should be credited to capital expenditure before arriving at the final cost of the property.

In the standard system of accounts promulgated for the use of American railways, provision is made for such a credit in Account 40 "Revenues and operating expenses during construction." Rentals paid are charged and rentals received are credited to this account. To this account, also, are credited the gross amounts received "for the transportation of commercial freight or passengers on construction trains," and net profits from other sources of operating revenues. For American railways which, in theory and largely in practice, are controlled by the entreprenneur interest, the simple rule recited above may work fairly well. The entreprenneur has a vital interest in closing the construction period at the earliest possible date, and there is consequently no danger of unduly reducing construction totals by the credit of any large amount of operating revenues. It seldom occurs in American practice that any revenue is received during construction other than revenue collected "on construction trains." The interest on capital invested and the expense of operating the construction train being charged as a capital investment, it is proper that the gross receipts accruing from such service should be credited to the construction account.

But what is here called the American practice is not the universal practice, even in America. It sometimes occurs that the property, or a portion of the property, is opened for operation before the accounts for original construction are formally closed. In such a case, the con-

struction department should set up both an operating revenue and an operating expense account, and carry the interest that accrues on the cost of the property used for revenue purposes, or a proper share thereof, as a charge against revenue. The amount credited to construction should be the net surplus resulting from such operation and not the gross revenue as in the first case recited.

There is, however, one precaution that must be taken in applying the second of the rules recited above. Should it happen that the net surplus is considerable, the effect of crediting such surplus to the cost of property would be to reduce that cost below its true figure. The result would be to turn the dividend fund back to the property without making acknowledgment to the stockholder of the moneys thus invested. In the application of either of these rules, it is essential that the period of construction be not unduly prolonged.

The figure transferred to the general balance sheet, which represents the original cost of the property, is the balance of all the debit and credit entries carried by the construction records. The manner in which this figure is modified from year to year, after the property is taken over for regular operation, will be considered in the chapter following.

§ 20. Clearing Accounts in Construction Accounts.— In the standardized "Classification of Investment in Road and Equipment," there are two accounts which are clearing accounts in a peculiar sense. They cannot, because of the nature of the transactions that they represent, be made to carry the final or permanent record of capital expenditures. The charges which they receive must sooner or later be distributed among the other primary

accounts. These accounts are Account 41, "Cost of road purchased," and Account 42, "Reconstruction of road purchased."

A consideration of these accounts brings to view one of the most embarrassing situations for the federal government in dealing with the construction accounts of railways. The jurisdiction of the government is confined to inter-state carriers; it does not cover the control of local state roads or of construction companies. Most railway systems, however, are built out of lines constructed under contract, or small independent lines, from which it follows that the corporation that acknowledges the jurisdiction of the federal government may not have anything to do with the construction of the property which it operates. The property is bought after the construction period is closed.

Moreover, the line purchased may cover not alone physical property, but securities, franchises, and other forms of intangible assets. There is no question of the propriety of charging the price paid for property to be merged to the "cost of property." The money spent in bringing this property up to standard, also, is a proper construction charge and should not be classed as additions and betterments. It is also true that, ultimately, this cost of purchase should be distributed. Thus, the cost of bridges bought should go to Account 6, "Bridges, trestles and culverts"; that of shops to Account 20, "Shops and enginehouses"; that of ballast to Account 11, "Ballast," and so throughout the list. In the text of the classification, it is distinctly stated with regard to "Cost of road purchased" that this account "shall be used only as a clearing account in which temporarily

to carry the cost of road purchased, until such time as a plan for the distribution of such cost to the primary accounts appropriate for the property is approved by the Commission." A similar credit is authorized for clearing out the charges originally made to Account 42, "Reconstruction of road purchased."

No difficulty arises in carrying out the above rule, provided the original construction accounts are turned over with the title to the property. This, however, is seldom the case. In an old territory like New England, it is not likely that 30% of the original records are available. The best that can be done is to make the distribution on the estimate of a competent engineer. The valuation of railway property authorized by Congress, and now in the process of being made, will, when completed, permit this account to be cleared of all its entries. This is true of purchases made prior to 1907. Purchases subsequent to 1907 are controlled by the following order.

The carrier shall be prepared to furnish the Commission, upon demand, a full report of the contract of acquisition of each road, or portion thereof, purchased, and a statement showing in detail the consideration given therefor. It should procure, in connection with the acquisition of any such road and equipment, all existing records, memoranda, and accounts in possession or control of the grantor, relating to the construction and improvements of such road and equipment, and shall preserve such records, memoranda, and accounts until authorized by law to destroy or otherwise dispose of them. Where the records, memoranda, and accounts are so intimately involved with other records, memoranda, and accounts of the grantor as to make their transfer impracticable or inadvisable, certified copies of them shall be procured and retained by the grantee. The verity of the copies should be certified by the custodian of the originals.

This is, perhaps, a satisfactory solution of this difficult question, in view of the conditions established by current practice in the United States. The rule can be made to secure proper accounting results provided it be carefully administered.

CHAPTER IV

CONSTRUCTION ACCOUNTS SUBSEQUENT TO OPERATION

A RAILWAY is never completely built. The construction accounts are never finished. What is called the closing of the period of construction, is nothing more than the transfer of responsibility for such further construction work as may be necessary, to those railway officials who are in charge of the general operation of the property. This new construction work is technically known as Extensions, or as Additions and Betterments; its cost, like the cost of original construction, is a charge to the property account. The standard system of accounts promulgated by the Interstate Commerce Commission, as issued in 1907 and 1908, provided for a distinct classification of "Expenditure for Additions and Betterments". This classification, which might with propriety be called a "job" classification, was in fact nothing more than the assembling of a set of clearing accounts. It was required that all addition and betterment entries should be distributed to the primary accounts provided for original construction. In the revision of 1914, all kinds of construction work are covered by a single classification. This change is a decided improvement.

§ 21. The Significance of Terms.—Under *Extensions* are included all construction work designed to extend the territory served by the railway rather than to supply transportation in a better manner, or with greater econ-

omy, in the territory already controlled. The process is like that of building a new factory to produce goods for sale in a more extended market, or of establishing a new branch for an established commercial or banking business. It includes the extensions of main line, the building of additional branch lines, or the extensions of branch lines already existing. It includes also the equipment or other facilities necessary for working the extended lines. Extensions are, in all important respects, original construction work, and should be so treated by the accountant. The fact that extension work may be carried on under the direction of engineers whose chief service is claimed by current operation, does not alter this conclusion.

By *Additions* are meant facilities added to those already existing, such as additional equipment, tracks, buildings, signals, bridges, fences, and the like; additional ties laid in tracks, or weight laid in rails; devices added, such as automatic couplers or air brakes applied to cars not previously equipped. Investments of this class are commonly made to meet the requirements of increased traffic, increased safety, or increased economy.

Under *Betterments* are included all improvements of existing facilities which result from the substitution of superior parts for inferior parts, such as the substitution of steel-tired wheels for wheels of inferior make, the strengthening of bridges beyond the requirements of original specifications, the reduction of curves and grades after the property is turned over for operation, and the like. Betterments may, like additions, result from the pressure of increased traffic, or they may be in response to some comprehensive policy adopted by the management.[1]

[1] These definitions differ slightly from those on p. 198, Appendix A.

§ 22. Occasions for Additions and Betterments.— Additions and Betterments are made to meet the requirements of five conditions which pertain to the construction and operation of railway properties.

It is not uncommon, especially in sparsely settled communities, for original construction to cover no more than the absolute necessities of immediate operation. This means light rails, light ballast, poor bridges, small equipment, high gradients, and sharp curves; indeed, at every point expense is cut so as to arrive at revenue with the least possible immediate investment. Compared with standard construction, the property is turned over to the operating department before the building of the property is completed. Under such conditions, the completion of what otherwise would have been covered by original construction, is treated by the accountant as an addition and betterment. It is this fact that gives to the phrase a different meaning for every road, as also for the same road at different stages of its building. This being the case, a comparison between the addition and betterment work of different roads is of minor significance. Addition and betterment charges are in fact a continuation of the construction record, and serve their highest purpose when so understood. The propriety of beginning operation with a half constructed property is a matter of policy for which the accountant cannot be held responsible; but the accountant should resist the temptation to twist accounting rules in order to cover up or understate the evil effects of such a policy.

Another occasion for the use of addition and betterment charges is the continued improvement in the science of transportation. Inventors are continually offering

improved facilities. The development of electricity, and the necessity of making use of this newly subjected agency, has produced marked results in nearly every department of railway economics. Interlocking parts and safety devices, signals, gravity switching, steel cars, loading appliances, and many other devices which will suggest themselves to the reader, are all illustrative of the necessity of new investment in order to keep a property up to the most improved standards. No road that hopes to continue can afford to fall behind these standards.

Additions and betterments are also required to meet the normal growth of the traffic. Railway building in the United States is peculiar in that most of the railways were the forerunners of settlements, and facilities which were ample when a road was first constructed are inadequate after the territory served is settled and industrially efficient. Under this head may be mentioned new sidings and turnouts, second and third tracks, the reduction of grades, and elimination of curves, heavier cars, heavier locomotives, and heavier bridges, and other like improvements made necessary by increase in the amount and density of traffic.

Betterments that fall under this head may be the same in kind, as also in their general service, as those described above, but their purpose is different as also their influence upon the industrial character of the property. These slight distinctions must be observed in order to interpret properly the addition and betterment accounts.

New conditions of traffic, as well as an increase in density, frequently demand expensive changes in the property which renders a transportation service. A road built for a lumber territory may, after the trees are cut,

be converted into a road for general traffic. The shifting of grazing territory may require a road to change its form of equipment. The transition from wheat to corn as the principal product of farms, or the development of diversified farming, is quickly reflected in the facilities which railways must provide, while the opening of fruit lands and the increase of cold storage products has been responsible for the investment of millions of dollars in improved facilities.

Another class of additions and betterments are those which are made by railways, either voluntarily or as the result of legislative suggestion, to meet the demands of public opinion. A fifty thousand dollar terminal may serve as well for the carrying of passengers and freight as a terminal that costs a million. In all ages of the world, and among all peoples that boast a civilization, the possession of an industrial surplus seems to have produced an appreciation for imposing buildings and stone monuments, and to some extent modern railways, possibly in recognition of their semi-public character, have responded to this universal sentiment. The demand for minor conveniences in travel, and for safety in transportation also, working through inter-railway competition, imposes upon railways the necessity of a continuously extending investment. The fact that railways are obliged to spend money, or at least do spend money, in excess of amounts actually required for profitable investment, raises many questions of equity which cannot be here considered; but in explaining additions and betterments it is necessary to recognize this occasion for the expenditure of railway funds along with the others that have been mentioned. All alike result in the increase of the total of

construction charges. A satisfactory system of railway accounts will provide for recording all these transactions correctly, and for doing this in such a manner as to preserve the integrity of the figure which stands first on the assets side of the balance sheet, namely, "Investment in road and equipment."

§ 23. Relation to Operating Expenses.—There are some reasons why the chapter on operating expenses should have been written before this chapter on additions and betterments. The order selected is in response to the desire to complete the study of the construction records before turning to other classifications or accounts.

The relation that exists between the construction accounts and operating expenses, springs from the necessity of drawing a definite line between charges to revenue and charges to capital. It may be accepted as a guiding rule, to be made clear by the subsequent study of operating expenses, that property turned over for open line work should be maintained out of revenues. Thus, all repairs on property in use, depreciation whether due to use or to time, and the expense incurred for the replacement of property when retired from service, as indeed all maintenance charges of whatsoever kind, should be borne by revenue and not by capital. The rule is simple, but its correct application requires some care.

When property retired is replaced by identical units of property, costing the same as the retired property cost originally, no difficulty arises. The cost of replacing property under such conditions is an operating charge to its full amount. There is no question of a capital charge. But such a condition seldom, if ever, arises. The original price of a particular piece of property retired, that is to

say, the price charged in the construction account, may be less, and, in this day of rising prices, usually is less than the price that must be paid for its replacement. Moreover, on account of the continuous improvement in type, it is seldom advisable to replace a worn out or retired property unit with a unit of the same kind. A better unit, and usually a more costly unit, is put in the place of the old unit retired. It is thus evident that a separation must be made between the amount that should be charged to operating expense as a maintenance charge and the amount that should be added to the "cost of construction" as a capital charge. In the analysis that immediately follows, nothing is said about depreciation reserves, or salvage. These points will claim attention in the analysis of operating expense.

§ 24. Treatment of Renewals at Increased Prices.— The duty of maintaining the property is properly imposed on the revenues of an operating company. One form of meeting this responsibility is to charge the replacement cost of property worn out, and consequently retired from service, as a maintenance charge in operating expense. In this way, the property register is kept full and, except for changes in prices and types, the integrity of the figure which stands for original cost is maintained. But prices are not stable. The cost of material and labor are subject to constant fluctuation, a fact which raises an important question in connection with replacement charges. The point raised pertains to the basis of the charge. Shall the amount charged to operating expense be limited to the amount of the original capital charge for the specific piece of property retired, or shall it be the cost of the property to be replaced in kind at the time of replacement?

Although the answer to this question is dictated by public and corporation policy, it may be well to consider the accounting tendencies involved in each line of treatment. If the charge to operating expense be limited to the original cost of the property replaced, the difference between original cost and cost in kind must be made a charge to additions and betterments, and to that extent raise the amount of investment carried as property on the balance sheet. The result of such a rule of accounting will be that the current change in prices will be reflected in the modification, from year to year, of the figure which is supposed to measure the investment made by the owners of the property.

If, on the other hand, operating expenses are required to carry not only an amount equal to the original cost of the property replaced, but an additional amount to cover the replacement in kind of the property retired, such increased cost being due to a rise in current prices, no charge will be made to additions and betterments, and the property account will remain unchanged. Under such treatment, the property account would not reflect the changing price in labor and material, and there would consequently be a tendency toward a separation of current values from book costs. That is to say, an appraisal of the property, ten or twenty years after the close of original construction, would be greater (assuming prices to have risen) than the construction cost carried on the balance sheet. The tendency would be for the appraised value of the property to follow along the same line as the movement in prices, while the book value would remain unchanged.

The determination of the question thus raised rests on

general policy rather than on accounting principles. So far as the Interstate Commerce Commission has expressed itself, the rule which now governs is that operating expenses should cover the cost of replacing in kind the property retired. The corporation regards this as a conservative policy, because it tends to an under-statement rather than an over-statement of the capital account, and provides a margin of safety in credit financiering. The public regards this with favor because it tends to check stock dividends and over-capitalization. The benefit to the public, so far as rate controversies are concerned, in charging operating expense with the cost incurred to replace retired property in kind, is lost when an appraised value is substituted for investment cost for testing the reasonableness of rates.

The accountant's defense of the rule now followed by American railways rests upon the claim that the actual cost of replacement in kind, if carried to operating expense rather than charged to property, will tend to offset the many sorts of depreciation that cannot be recognized by formal charges.

§ 25. Treatment of Renewals by the Substitution of Improved Types.—In the case of many renewals, the property replaced is of a different kind or type than the property retired. The old American type of locomotive, for example, has all but disappeared, its place being taken by locomotives of higher efficiency and power. This illustration may be generalized to cover almost any kind or class of property used in the transportation service. The accounting treatment in cases of this sort is simple so far, at least, as the accounting principle is concerned. The rule is that the difference between the cost of re-

placing in kind the old unit of property retired, and the cost of a new unit of an improved type which takes the place of the old, should be charged to capital through additions and betterments. Under such accounting treatment, the units of property on the property register stand the same as before the replacement was made, but the investment cost or book value of that property is increased by the amount of addition and betterment charges made at the time of replacement. Two or three illustrations will make this clear.

Let it be assumed that metal ties are substituted for wooden ties; in this case, the excess cost of metal ties over the cost to replace in kind wooden ties removed would be charged to the property account. Should rails of an improved type, or quality, or weight, be substituted for old rails, the excess cost of such new rails over the cost to replace in kind the rails removed would be a charge to the property account. Ballasting offers another illustration. The cost of ballast applied in excess of ballast required to restore to its maximum height and width the ballast previously put on the roadbed, or the excess cost of ballast over the cost to replace in kind to the original height and width the ballast that has disappeared through use, becomes a charge to the property account through Additions and Betterments.

In the application of this accounting rule, the cost rather than any physical description of the property should be used as a basis from which to measure Additions and Betterments. Thus, the cost of newer and heavier rails, rather than the cost of the increased weight of the rails which take the place of the old rails removed, should be made the basis of the charge. In this way, the change

in the price of rails, so far as this change would affect the weight of the old rails, is covered in the accounts. The only element common to all kinds and classes of property used in transportation is the element of cost, and for that reason greater uniformity in the general results will be attained by accepting cost as the basis for measurement, than if the measure of the improvements which follow the substitution of a new type of property, is made on the basis of some physical or mechanical element of the property.

§ 26. Abandoned Property charged to Operating Expenses.—Thus far the accounting rules which have been considered, cover the ordinary, everyday replacements of property retired. Many of them occur in connection with the current repair work of an operating railway. Those rules are not, however, sufficiently broad to cover cases of additions and betterments which in fact amount to a reconstruction or a rebuilding of portions of the property. Such rebuilding is doubtless an addition and betterment; but the interests affected are such as to warrant specialized treatment in the accounts.

It may be well to illustrate this class of work so as to make clear the peculiar situation to which it gives rise.

A road may have been located originally so as to avoid the bridging of streams or the expense of deep fills or cuts, or the cutting of tunnels. The development of traffic, or possibly the desire to protect the old investment against the competition of new lines, makes relocation or realignment necessary. This may go so far as to result in what is practically the rebuilding of the property. It is evident that relocation and realignment of the right of way renders worthless the real estate, the grading, the

surfacing, the ballasting of the old right of way, and such like elements of value, so far as their use in future transportation is concerned. These units become "abandoned property," and the loss in value incident to such abandonment must be reckoned as a cost of the betterment.

Another illustration may be taken from changes in rolling stock. A standard car on American railways at one time was a car of thirty thousand pounds' capacity; it is now sixty thousand pounds, and there are many cars of a hundred or a hundred and fifty thousand pounds' capacity in current use. This transformation must take place quickly, for it is not possible to use large cars and small cars with safety or economy in the same train. From this it follows that many cars will be retired from service before the expiration of their normal life. Thus, a thirty thousand pound capacity car with a normal life of twenty years, may be retired at the end of ten years in order to make way for a sixty thousand pound capacity car. One-half, at least, of the original cost of the old car is thrown away or abandoned to make way for larger and better equipment. The dissipation of this value must be regarded as an element of cost.

Perhaps the most effective illustration as showing the burden of technical development may be drawn from the history of the electric railways in cities. The original form in whieh electric power was applied to street railways was crude and inefficient. This class of property was rebuilt three or four times before it assumed its modern form as an effective piece of transportation machinery. It is probably true, as claimed by electrical engineers, that each step in the development of electric railways was necessary in order to arrive at the succeeding step in that

development. Nevertheless, each step involved the abandonment of the whole, or a part, of the previous investment, and the resulting loss is an item of cost in the investment that followed. These illustrations should make clear what is meant by the abandonment of property in connection with a program of betterment work.

The rule laid down for the treatment of abandoned property in the accounting system promulgated for the use of American railways, is that the amount originally charged on account of such property should be credited to the property account. It is imperative that the construction records should be cleared of all dissipated assets.

It is frequently urged against this rule, that it disregards the equities of investors in the property abandoned, and appeal is taken to the history of American railways in support of this objection. That history shows that most of these railways outran settlements. They were, indeed, a condition of settlement. The circuitous route followed by the roads when first built is no evidence of an error on the part of the location engineers. On the contrary, the route chosen may have been the only route that could have been followed in view of the traffic in sight, and the amount of capital appropriated for construction. The analogy of bridge construction is brought to bear in this argument. The cost of the false work used in the construction of a bridge is charged as a part of the cost of the bridge; why should not the cost of the first line laid down, which is a necessary step in the development of the property as it now stands, be regarded in the same way as the false work of a bridge and continued in the capital account?

There is certainly something to be said in favor of a general policy which recognizes the right of the stockholder to realize some benefit from his original investment, when such investment is rendered valueless by the improvement of transportation facilities. On the other hand, it is essential that the book entries of cost at any particular time should reflect the cost of the property in actual use, and not the accumulated cost of a series of transportation experiments, although such experiments may have been necessary to bring the property up to a high degree of efficiency. The standard system of railway accounts undertakes to conform to sound accounting rules, and at the same time to refrain from doing violence to the reasonable claim of the original investors in the following manner:—the abandoned property is credited to the property account, but, if the values represented by such abandonments are considerable in amount, if they are sufficiently large to "unduly burden" the operating expense of a single year, they may be carried on the books as an unadjusted debit, to be written out in subsequent years.

The propriety of the above rule seems clear when it is recognized that most of the improvements under consideration result either in increased revenue or in decreased operating costs; that is to say, they result in the increase of net revenue. If, now, the value of the abandoned property be carried as an unadjusted debit to be written out of the accounts after the improvements become productive, it follows that the increment of net revenues which result from the improvement may be used to create a fund for the expungement of this accounting liability. The public, on its part, postpones the reduction of freight

and passenger tariffs until after the value of the abandoned property is restored to the assets of the road; while the stockholder, on his part, foregoes the claim for increased dividends on account of the improvements until his lost equity in the property is restored. By this adjustment, no violence is done to the fundamental principles of accounting, and at the same time the owners of the property are relieved from bearing all the burden of assets destroyed through improvements. The adjustment above outlined is, in effect, the creation of a market for the property abandoned.

§ 27. Abandoned Property Charged to Surplus.— The treatment of abandoned property above referred to is limited to property abandoned in connection with improvement work. In case property is abandoned for any other reason, and on that account is not replaced in the property register by some other form of property, the final charge for the elimination of such property from the accounts, is a charge to the accumulated surplus and not to operating expense. The propriety of this rule becomes evident when it is remembered that operating expenses are involved in the adjustment of assets, only so far as the revenues are called upon to contribute to the maintenance of the property. The abandonment of property not replaced involves no question of maintenance and, on that account, operating expenses can not be held responsible for writing such abandoned assets out of the accounts. It should also be held in mind that that portion of the accumulated surplus which is free is in effect an unappropriated reserve to take care, among other things, of costs which can not be foreseen. It may also be assumed that property abandoned, and not replaced, has contributed,

during its life, to the accumulated surplus, and on this account has a right to appeal to it for burial.

It is strongly urged by some accountants that property abandoned in connection with improvement work ought to be treated in the same way as property abandoned and not replaced. That is to say, such abandonment should not be carried as an unadjusted debit to be written out of the accounts by subsequent charges to operating expense. A clear understanding of what this means, however, will not permit of such an adjustment. The betterment which is the occasion of the abandonment of property is made for the benefit of the future. The increment of net revenue which may be assumed, will accrue at some time subsequent to the investment in the improved property units. If, now, that portion of the cost of the improvement which stands for property abandoned and which, on that account, cannot remain in the construction account, be charged to the accumulated surplus, it is evident that a cost which is incurred for the benefit of the future is borne by the accumulations of the past. Only by making a charge to operating expenses, and spreading that charge over a term of years, can this burden be thrown on those revenues which result from the productive use of the improved property.

This argument may be rendered more emphatic by tracing the results of charging abandoned property to the accumulated surplus on the interests of the stockholder. The stockholder claims the full equity in the accumulated surplus, and no one but the public, under the general theory of reasonable rates, can contest this claim. Improvements of the kind under consideration may involve, and usually do involve, the issue of new

securities, which means the acceptance of new partners in the enterprise. The purchase of old securities by outsiders does not involve the acceptance of new partners in the sense in which that phrase is here used. It is proper from every point of view that the new partners should look to the future for the benefits which are to accrue from their investments. They have no claim upon the accumulated surplus which existed at the time of their investment. A charge to the accumulated surplus, however, of the loss resulting from the abandonment of property made in connection with betterment work, would throw the entire burden of this peculiar cost on the old partners. If, however, the value of the abandoned property be written out of the accounts by charges to operating expenses spread over a definite period, the new investment will bear at least a part of the cost of the improvement resulting from the abandonment of property. It seems, then, whether this question be approached from the point of view of stating the true revenue of definite periods, or of the relative interests of the old and the new partners, that operating expenses, rather than the accumulated surplus, should assume the burden of abandoned property.

§ 28. Minimum for Additions and Betterments.— Most systems of accounting prescribe a minimum below which additions and betterments should be excluded from addition and betterment charges. In the system of accounts as originally prescribed for American railways that minimum was $200. Recognition of a minimum is not explained by the common assertion that small amounts are of too slight importance to be made the occasion of separate entries. The clerical work in the accounting

department is doubtless somewhat reduced when slight additions and betterments are covered as current repairs in operating expenses. The only adequate reason for this minimum is found in the judgment of practical accountants that the inclusion of a small margin of current improvements in operating expenses, is necessary, as an offset to that unseen depreciation which is constantly going on, and which cannot be made the occasion of depreciation charges. In other words, a minimum of this sort is necessary in order to guard against over-charging the capital accounts. From the point of view of over-capitalization, safety lies in a generous interpretation of operating expenses.

On the other hand, it must be admitted that the accounting rule which excludes minimum charges for addition and betterment work from capital, cannot be administered with any certainty. A program for the same work could be drawn so as to include or to exclude the cost of such work from capital, according to the general policy approved by the management. Even with the best of intentions, accountants will differ in their interpretations of this rule. It is, in short, a rule that cannot be standardized by experience and, on this account, is likely to do more harm than good. American railway practice does not, at present, recognize any minimum for addition and betterment charges.

CHAPTER V

OPERATING EXPENSES

THE system of accounts used by American railways makes a distinction between expenditures and expenses. The former stands for the cost of the property; the latter, for the cost of revenue. This is an arbitrary distinction, but it is of considerable practical benefit to the railway accountant. Unfortunately, the paucity of accounting nomenclature makes it necessary to employ the word expenditure to cover, also, certain income charges, but the word expense is strictly confined to operation and will be so used throughout this treatise.[1]

§ 29. Definition of Operating Expenses.—Operating expenses may be defined as the cost of moving passengers and freight and of rendering such other services as pertain to the general business of a transportation company. They are a charge against the transportation revenues of an operating railway.

Something of their character may be learned by observing the place they occupy in the general scheme of debit records. Speaking comprehensively, the debit entries of a system of railway accounts (taxes alone excepted), may be classified under the three heads of construction expenditures, operating expenses, and corporation charges,

[1] *Note:* This is not quite true. The word expense is found in the classification of construction expenditures. In cases of this sort, however, the nature of the transaction, or the condition under which the charge arises, furnishes ample explanation.

including under that latter phrase direct charges on the general balance sheet, as well as charges to the income, the profit and loss, and the appropriation accounts.

The significant fact to be gleaned from this observation is that operating expenses are under the control of those officers who are responsible for economy and efficiency in operation. From this it follows that the ruling consideration in drawing out a classification of operating expenses, is the service of the classification to operating officials. Even the classification of construction costs is made to conform to this purpose, and the accountant, in distributing the items that appear on expense vouchers and payrolls, is obliged to hold in mind the fact that the chief purpose of the statement which he compiles is to enable the General Manager to control costs.

Operating expenses, as that phrase is used in the statements of the accounting department, do not, however, necessarily mean actual payments. A payment is a cash transaction, and as such pertains to the records of the treasurer. The offset to payments is receipts, and the balance at any time standing on the books of the treasurer represents the cash on hand. The records of the accountant, on the other hand, are kept on the basis of accruals. If a liability has accrued, it is entered by the accountant in his records, whether a cash payment has been made or not. The offset to expenses, therefore, is not receipts but earnings or revenue. All the work of a railway accountant is done on the basis of accruals, a fact that should be held clearly in mind in dealing with operating expenses.

§ **30. Meaning of the General Accounts.**—In conformity with the purpose stated above, operating expenses

are grouped under five general comprehensive headings. These headings are:—

Maintenance of Way and Structures,
Maintenance of Equipment,
Traffic Expenses,
Transportation Expenses, and
General Expenses.

The structure of an operating expense classification thus indicated has been observed by the Interstate Commerce Commission since its organization in 1887, with the exception that, prior to 1907, Traffic Expenses and Transportation Expenses were combined under a common heading.

Within a few years after its adoption by the Federal government, it was accepted by the railway commissions of the several states and, at the present time, is universally followed by American railways. Its leading distinctions were taken over from what is known as the Saratoga Classification, which was a classification adopted by a few of the leading state railway commissions at a session held in Saratoga in 1879. For many years a large number of railways followed what is known as the Pennsylvania classification which provided a special general account for motive power, but that classification was merged into the standard classification in 1896. It is thus evident that the classification of operating expenses now used by American railways is the result of many years of experience and discussion. It is a development which represents the best thought and experience of American accountants.

The main headings, or general accounts, will be cursorily considered.

Maintenance Accounts. The first and the second of the

headings named above, cover expenses incurred in the maintenance of the property used in rendering the service of transportation. The separation of the maintenance accounts into Maintenance of Way and Structures, and Maintenance of Equipment, rests on the difference that exists in the two kinds of property and on the technical knowledge required for the treatment of each. The character of the duties assumed by the Superintendent of Way and Structures is essentially different from that assumed by the Superintendent of Equipment. Every road sufficiently large to enable it to adopt the usual plan of organization, separates the responsibility for the care of these two kinds of property, and the standard classification of operating expenses conforms to this established departmental organization.

The inclusion of maintenance charges in the cost of operation is in recognition of a fundamental principle of accounting, as well as of an established rule of common law. This rule is that no industry can declare a profit until full provision has been made for the restoration of values dissipated in the production of revenue. This consideration is especially pertinent for large industries like railways, which are administered on the assumption of their permanence. A railway is assumed to be a corporation of perpetual life. In this respect it partakes of the character of the State. It is, therefore, essential that the administration of each year should transmit the property used in earning revenue to the administration of the year following in as good condition as when it was received from the administration of the previous year. Should a dividend be declared out of current revenues before making good the current dissipation of assets, such a dividend

would be erroneously declared. Indeed, it would be no dividend in the proper meaning of that word, but a repayment, under the guise of a dividend, of a portion of the funds which the stockholder had entrusted to the corporation for the purpose of permanent investment. Such a dividend would be paid out of capital, a transaction which is universally recognized to be a step toward bankruptcy.

Traffic Expenses. The traffic department is the sales department of a railway. A railway as a productive industry differs from most manufacturing industries in that it operates exclusively upon orders. It is the peculiar function of the traffic department to procure these orders for service; that is to say, to secure shipments of freight and to create the conditions under which passenger traffic is assured. The traffic official must know thoroughly the industrial conditions and business opportunities of the territory through which the railway runs, and undertake to adjust the services of the railway to the peculiar needs of that territory. The sales department of a railway is a distinctive branch of the service, and for that reason is accorded an independent general account in the classification of operating expenses.

Transportation Expenses. Transportation expenses are the most important single block of operating expenses. They cover 50% of the total. This group of expenses it is that measures the cost of traffic movement and suggests by far the larger number of those questions that center in economy of operation and efficiency of management. For this reason, if for no other, transportation expenses, or what with propriety might be termed movement costs, should be grouped under a single heading.

General Expenses. General expenses are those which are common to all departments and all functions of an operating railway. To some extent, also, this group of expenses covers miscellaneous items, which, if distributed to the other headings, would tend to weaken the sense of responsibility imposed on the chiefs of the several departments in charge of operation. This group of expenses covers the salaries and office expenses of the president, the secretary, the treasurer, the accountant, the real estate agent, the tax commissioner, and other officers whose duties are general in character. It covers, also, the expenses of relief departments, pensions, and special and temporary expenses, like the cost of inventories or valuations. It is thus evident that general expenses stand for a specific line of activities and responsibilities and, while different in their scope, are on the same footing as maintenance, traffic, and transportation expenses.

§ 31. Meaning of the Word Maintenance.—No question has given rise to greater controversy than the question of what constitutes adequate maintenance. The confusion which surrounds this question is due primarily to the different points of view from which it is regarded. There are three conceptions bound up in this word, and those who dispute so hotly over the appropriate policy of a railway relative to maintenance, or to the test of adequate maintenance, are not always clear as to which conception is under consideration. These three conceptions of maintenance are as follows:

The general manager's conception, which recognizes the duty of maintaining railway property, used in the service of transportation, up to the standard of maximum efficiency and safety.

The financier's conception, which has regard to some established ratio between the physical property and outstanding securities. This conception is of more significance for a new property than for a property with well established business connections.

The accountant's conception, which accepts as the basis from which to measure maintenance, the original cost of the property as affected by improvements and abandonments, subsequent to the transfer of the property for open line work; or, to use the phrase embodied in the recent Act of Congress, the "original cost to date."

Provided one holds in mind these three points of view from which maintenance may be regarded, it is believed that many of the misunderstandings which surround the discussion of this subject will be cleared away.

It is frequently said that there is no depreciation of railway property, because the Superintendent in charge of roadway and structures and the Superintendent in charge of equipment, maintain the property up to a point where it can earn the highest net revenue. Admitting this claim respecting the degree of maintenance to be correct, and it probably is correct from the point of view of the general manager, the appraisal of such a property would disclose the fact that it is operated at about 80% of what it would cost new. This general conclusion is supported by most of the appraisals that have thus far been made of railway property. Should more accurate appraisals change this percentage, the fact would nevertheless remain that the maintenance of railway property stands considerably below the original cost, or the present reproduction value of the property. If the views of the general manager are to furnish a measure for maintenance, the balance sheet

statement of "investments" in physical property will be 20% in excess of the current value and, should the accounts fail to record so significant a fact, this most important statement would close with an overstatement of surplus to the extent of the unrecognized dissipation of assets. It is quite proper for the general manager to accept efficiency and safety as the standard of operating maintenance, but it does not follow that the financier or the accountant should rest satisfied with such a standard.

The second point of view from which maintenance may be regarded is that of the financier. For him property is maintained when liabilities are validated. Railway bonds are for the most part mortgage bonds and rest for their primary validation on specifically described items of physical property. If this property is permitted to deteriorate below its original standard, the securities to that extent are thereby devalidated. From the point of view of the owner of securities, therefore, there is no warrant for the financial administration to accept and apply the general manager's definition of maintenance. The stockholder and the bondholder cannot afford to sanction such a policy. They are obliged to hold in mind the protection of their interests in case the corporation, which is the trustee for their investments, becomes insolvent and passes into the hands of a receiver. They do not desire to lose 20% of their original investment, gone no one knows where. The only measure of maintenance which it is safe for them to recognize is maintenance to original cost. They cannot afford to accept less.

The accountant's conception of maintenance, which accepts the original cost to date as the standard to which property should be maintained, covers both of the in-

terests indicated above, and adds a consideration of its own, namely: the influence of constant change in current prices and types of property on long standing investments in physical assets. The accountant deals with the charge on his ledger for property and, provided property abandoned is properly cared for in the accounts, provided correct accounting rules for additions and betterments are followed, and provided, further, that adjustments on account of changing prices of labor and material are actually made when old units are replaced by new,—the cost of the property as it stands on the ledger will serve as a safe standard by which to measure adequate maintenance.

§ **32. Depreciation.**—Charges for the creation of a depreciation reserve are charges for maintenance and, for that reason, are carried by operating expenses. Their purpose is to raise a reserve against which the cost of replacing important pieces of property may be charged when, for any reason, such property is retired. The units of property are constantly changing, but the property register, or rather the original cost of the property that stands on the register, must be maintained. The dissipation of assets known as depreciation is a current cost and should be borne out of current revenues. The problem of depreciation is a problem that pertains primarily to operating expenses.

No provision was made for formal depreciation charges in the classification of operating expenses used by American railways prior to 1907. For many years, maintenance charges were covered by the two primary accounts of "Repairs" and "Renewals and Replacements." The system of accounting now in use distributes maintenance charges to three primary accounts, namely: "Repairs,"

"Depreciation," and "Retirements." By turning to the list of operating expense accounts beginning on page 269, Appendix B, one observes that forty-five primary accounts, out of a total of one hundred and ninety-six, cover depreciation charges. Each depreciation account is in addition to the repair account for the same class of property, and is assumed to cover the dissipation of assets that can not be restored by current repairs. Depreciation charges are made monthly, and are credited to a reserve against which the replacement of the property can be charged when the property is replaced. This means that the burden imposed on revenue of replacing property when retired, is spread over the operating life of the property, and is not imposed as a lump sum on the revenues of the year when the property is retired. This is what is meant by formal depreciation accounting.

The real difference, then, between the two methods of procedure, is that the older classification allowed the entire cost of replacing a unit of property to be charged to operating expenses at the time of its replacement, while the classification now in use requires each piece of property, month by month during its life, to contribute to a replacement reserve out of which property is maintained. One of the most troublesome questions that arise in the practice of accounting is to know when, and under what conditions, expenses should be spread over a period of time, and when they should be closed out by a single charge. Depreciation accounting assumes that maintenance costs that cannot be localized, should be spread over the life of the property.

It is thus evident that formal depreciation charges are not essential for the maintenance of the property. In-

deed, it is possible, by assuming evenly balanced conditions, to conclude that the same results would follow the application of either of the methods described above. This may be made clear by an illustration. Assume the life of freight cars to be twenty years, and that the equipment register of a railway shows twenty series of a thousand cars each. Assume, further, the original cost of all cars to have been the same and that the age of the cars in the several series varies from one to nineteen years. Under such conditions, which for the purpose of the illustration have been evenly balanced, it would make no difference whether all of the twenty thousand cars contribute annually 5% of their original cost to a depreciation reserve, to which is charged the cost of replacing one thousand cars each year, or whether no depreciation reserve is raised and the cost of replacing a thousand cars each year is charged directly to operating expenses. Under the conditions assumed, either procedure would result in the maintenance of the property, and the cost of maintenance would be spread evenly over the twenty years, during which period every car on the register would have been retired and replaced.

Nevertheless, a formal depreciation charge is desirable, and for five reasons.

In the first place, a satisfactory system of accounting must recognize all interests involved in a business. It is not enough to maintain property to the requirements of efficiency and safety. The validation of securities and the maintenance of values notwithstanding current changes in the price of labor and material are, from the point of view of financial requirements, equally important. The problem of depreciation charges is much broader

than the problem for which the general manager assumes responsibility.

Formal depreciation accounting, also, renders marked assistance in drawing the line between revenue charges and capital charges. Current dissipation of assets is not due entirely to wear, or to the effect of weather conditions; development in the technique of the instruments of transportation as shown in minor changes or modifications of type, are of equal importance. It is these changes that cause the retirement of property units before the expiration of what otherwise would have been their normal life. There is a depreciation of obsolescence as well as a depreciation traceable to use and to time. This depreciation of obsolescence represents an assemblage of minor changes which result ultimately in a decided change of type, but no one of which is of sufficient significance to be classed as an addition or a betterment. Past experience shows this phase of depreciation to have been as constant and almost as regular as the wear of property through use, and for that reason the cost involved should be borne by current revenues. Costs of this kind, like ordinary maintenance costs, should be spread evenly over the life of the property concerned, and the most certain way of attaining this result is to include the depreciation of obsolescence, along with other forms of depreciation, in estimating the normal life of the property units.

A third consideration in support of the policy of depreciation is found in the use that may be made of the depreciation reserve, should it become necessary to change in any particular the form of capital investment. In case, for example, the management of a railway deems it expedient to substitute electric locomotives for steam loco-

motives, there is no reason why the reserve created by charges for the retirement of steam locomotives should not bear at least a part of the cost of electric equipment by which the steam locomotives are replaced. Neither the stockholder nor the bondholder is interested in the physical form which his investment assumes. All this interest asks is that the value of the investment shall not be dissipated and that it shall be in physical form capable of earning revenue. The cost made necessary by the change is due to gradually changing conditions, and for that reason should be borne by current revenues. It is not claimed that this result can not be attained by other accounting methods, but that formal depreciation accounting is the easiest, simplest, and most trustworthy method of procedure.

A fourth reason for formal depreciation charges is found in the fact that many railways do not have a sufficient amount of property to ensure equitable results, in case reliance is placed on current replacements to maintain their assets. Moreover, all railways have certain kinds of property which involve such large investments that to charge their replacements to the operating expenses of any particular month or year would distort accounting results. To operate a vessel property, for example, without providing during the life of the vessel for its ultimate retirement, would never be regarded as the application of sound business principles.

A special consideration may be urged in support of current depreciation charges. In a country where railway securities are constantly bought and sold upon the market, it is of the utmost importance that the monthly statement of net revenues from operations be correct. This is

true because these statements exert a decided influence on stock transactions. It is quite possible, should a railway management so desire, to show for any month or year a net revenue higher than the true amount, by postponing the replacement of worn out property, and thus permit the property to deteriorate without a corresponding entry in the operating expenses. In this manner the management could show a net revenue from operation higher than the true net revenue.

It is the function of accounting to ensure that current statements are true, and this can be done with greater certainty by means of formal depreciation charges than by relying upon the more or less arbitrary instructions of the general manager. The temptation to influence the market by "skinning" the property ought to be removed from those whom the stockholders have appointed as trustees of their investment, and this can be done, in part at least, by the rule that regular monthly charges be made for the creation of a depreciation reserve.

§ 33. The Rate of Depreciation.—The rate of depreciation to be charged for the creation of a replacement reserve depends on the expectation of life for the kind of property to be maintained. Experience tables resting on the records of past years are accepted as a trustworthy forecast of the future and rates are adjusted accordingly. The reasoning is quite the same as that employed by insurance actuaries for determining the premium to be paid for any kind of insurance. This may be expressed definitely. Property that bears an expectation of life of twenty-five years under the condition of its use should contribute annually 4% of its original cost, less salvage,

to the depreciation reserve. The annual rate varies inversely with the expectation of life.

The amount upon which the rate is computed should be the original cost less estimated salvage at the date of retirement. A locomotive, for example, carries a scrap value of from 12 to 15%, which means that the amount to be accumulated in the reserve is but from 88 to 85% of the original cost. For some reason not altogether clear, it is the practice of accountants to reduce the rate rather than reduce the sum on which the rate is computed. The relative merits of these two methods is scarcely worth discussion; the amount carried in the depreciation reserve would be the same in either case.

The normal expectation of life for the property having been determined, as also the amount to be accumulated, there still remains the question as to the rule by which depreciation charges are to be applied. Actuarial accountants discuss three different rules.

The generally accepted rule is that a uniform rate should be charged annually throughout the normal life of the property. This is what is known as "straight line" depreciation. The curve which represents its application is a straight line. The argument in its favor is that it is simple and easily understood, and that it takes from the management the temptation of arbitrary adjustments for the sake of making temporary showings.

The rate charged may vary from year to year to conform to what is assumed to be the facts respecting the wear of the property, and the wear of the property is assumed to vary with the need of current repairs. While the property is new the rate would be low, but it would increase year by year,—the percentage charge being at

its maximum the year before the retirement of the property. The reasoning that underlies this rule seems to be the same as that involved in the discussion of the proposition, that it is the last straw that breaks the camel's back. The truth is that the loss of value to be covered by depreciation charges, is a loss in excess of the current wear of property which can be made good by current repairs. Depreciation charges and repair charges are the complements of each other, the two making the total of dissipated assets to be borne by current revenues. If the percentage of repairs is high, it is likely that the annual loss by depreciation will be low. If any variation from a straight annual charge is to be allowed, it should be the reverse of that required by the rule under consideration.

A third rule has been urged which substitutes a definite annuity for a definite rate, and which has the result of charging a decreased depreciation rate for each year added to the life of the property. In this case, the amount to be contributed to the reserve during the life of the property is first determined, and an amount set up for the charge of the first year which is reduced for the charges of each subsequent year, by the amount of interest which accrues on all the charges of previous years. The error of this reasoning, so far as depreciation reserves are concerned, lies in the fact that it involves the actual transfer of cash to trustees for investment. The reason why, under this plan, depreciation charges to operating expenses decrease from year to year, is that a fund of productive property is accumulated which contributes to the depreciation reserve from income outside of transportation revenues. This rule cannot be applied unless the management deems it wise to create a depreciation

fund to balance the depreciation reserve, and this is commonly regarded as undesirable in ordinary railway practice. Straight line depreciation charges are therefore advocated.

§ 34. Adjustment of the Depreciation Reserves.— Another technical question arises in the use of a depreciation charge. It is the avowed purpose of these charges to burden current revenues with future payments. The amounts charged are estimates and may prove to be either too high, or too low, to replace the property when retired. The estimate of the value of salvage may be different from the sale value of scrap when the units of property are broken up. Accidents, also, may not have been correctly estimated with the result that an unduly large amount of property is retired before the expiration of its normal life. It is not likely that the depreciation reserve will measure exactly the amounts that will be charged against it.

This situation may be met by either of two adjustments. The more perfect method is to keep separate records for different classes of property whose life history is likely to show different results, and, on the replacement of a particular unit, to charge to the depreciation reserve only so much as that unit has contributed, the difference to be charged directly to the operating expenses of the year in which the property is retired. For example, let it be assumed that the depreciation charge for a particular series of freight cars has been made on the basis of a twenty year life period, and that a car of this series has been destroyed at the age of fifteen years. Manifestly, only 75% of the cost of the car, less salvage, stands in the depreciation reserve. In such a case, 75% of the cost is

carried by the depreciation reserve, and 25%, less salvage, by the expenses of the year in which the accident occurred. This is the rule promulgated for the use of American railways, and the primary account of "Retirements" has been provided for this and similar charges. This is sound accounting, for it charges to the revenue of the year in which the accident occurs the cost of the accident. This rule implies, also, that the depreciation charge on account of any piece of property should be discontinued when it has contributed its ledger cost to the depreciation reserve. In most cases this will be when it has lived its normal life. After that date, a charge for depreciation on such property should be discontinued.

The other method of procedure is to rely on general averages. The entire cost of replacement of a unit of property should be charged to the depreciation reserve and all units that live longer than the normal period assumed should continue to contribute to the depreciation reserve. The consideration against this method is the fact that it does not enable the accountant to localize the cost of accident, or of any unforeseen contingency, in his annual statement of net operating revenues. This balance ought to be determined with the highest possible degree of accuracy.

In either case, the reserve carried may prove to be too high or too low, and the accountant must face the possibility of changing the rate from time to time to fit actual results. A rule can be devised to meet this contingency. In the system of accounts used by Chinese railways, for example, provision is made for a sliding scale for the adjustment of depreciation charges. A normal ratio between the depreciation reserve and the original cost of the prop-

erty is assumed, and the rate is varied from year to year so as to maintain that ratio.

Another practical question arises. Depreciation reserves should begin with the operation of the property, but it frequently occurs that this class of maintenance charges is postponed until the property has been operated for a considerable period. Under such conditions, the question of how to raise a depreciation reserve comes to be a very practical question. The simplest method is to charge profit and loss, and credit depreciation reserve with the amount of unrecorded depreciation. This would reduce the balance sheet balance which stands for free or unappropriated surplus, a result that is entirely defensible, for the reason that a surplus declared without having made provision for current depreciation is too high. Such a procedure, however, might require a railway to publish a report which, if not fully understood, would affect injuriously the financial standing of the property. This being the case, it seems wiser to make no drastic change in the published surplus, but to charge the unrecorded depreciation directly to operating expenses, under the primary account "Retirements," at the time the property is actually retired and replaced. By this method, the burden of providing for unrecorded depreciation is spread over the remaining life of the property that stands on the register at the time a depreciation reserve is set up. In this case, a rule of accounting which is sound in general theory, is subordinated to considerations of business policy.

§ 35. Joint Facility Accounts.—The classification of operating expenses devised by the Interstate Commerce Commission for the use of American railways, differs

from the customary accounts prior to 1907, in the extensive use which it makes of what are known as the joint facility accounts. The operating conditions which give rise to the necessity of these accounts may be easily stated. A considerable amount of property devoted to the service of transportation is used jointly by two or more operating railways. Thus tracks, bridges, yards, wharves, stations, interlocking devices, and other facilities, may be used by two or more lines. The contracts or operating agreements under which such property is jointly used, cover a great variety of conditions, and are adjusted according to the different aims and purposes of the contracting parties. In every case, however, it is necessary that the responsibility for the maintenance and operation of property jointly used should be correctly stated, and that the accounting entries should truly represent the facts of such joint use. It should be recognized that the debit and credit entries required to make final adjustment of this class of transactions, are to be found in the records of the several corporations concerned; while the debit and credit entries on the books of a given railway, are nothing more than the shifting of charges between the various primary accounts of a specific classification. Provided this distinction is held in mind, the joint facility accounts may be easily understood.

The original charge for the maintenance of facilities used jointly by two or more railways, appears in the accounts of that railway which is responsible for the expense. For example, maintenance charges for a yard jointly used, appear as an original charge in the accounts of the company which owns the yard, or which, under the agreement, is responsible for its maintenance. It is ev-

ident, also, that to the extent that this maintenance expense is incurred for another line, it will be made the basis of a bill which the using line will be obliged to recognize. Prior to the institution of the joint facility accounts, the amounts covered by such a bill would have been credited by the responsible operating company in its primary accounts, and presumably (although this was not always the case)a charge would have been made to the corresponding primary accounts of the using company. So far as the adjustment of interline accounts is concerned, such a method attains a correct result as far as it goes, but it fails to satisfy sound accounting principles in two particulars.

In the first place, unless the company which accepts the bill distributes its charges to the maintenance accounts, in the same way that the company which renders the bill gave credit to its maintenance accounts, it is not possible to add the accounting statements of different lines and arrive at a correct statement of the amounts carried by the various primary accounts of the several companies.

The second difficulty resulting from the method of adjusting interline accounts in the manner described above, is, that a credit by any company to its primary accounts of such a portion of the original charges as were made for the benefit of a foreign company, shows that the officer in charge of maintenance has spent less money in maintenance than in fact has been spent. It is essential, if the operating accounts are to be used as a means of testing the efficiency of operating officers, that a full and complete acknowledgment be made of the work done, and that the entire expense of such work be charged against the responsible department. It is primarily to arrive at this

result that provision is made for joint facility accounts. The interline method of adjustment under the joint facility accounts, requires that the original charges to operating expenses on the part of the responsible railway remain unchanged, but, to the extent that these original expenses have been incurred for another line, the total amount which is made the basis of bills against the using line should be taken out of operating expenses by a credit to the "joint facilities" credit accounts. That is to say, it is taken out in a single item rather than by credits distributed to the general primary accounts concerned. The using company, also, which accepts this bill, does not distribute the amount carried as charges to its several primary maintenance accounts, but carries it as a single item under the "joint facilities" debit accounts.

The service rendered by the joint facilities accounts may be expressed as follows. It is desirable to obtain from an operating expense statement two totals, each of which carries with it a different significance. Thus it is necessary to know the amount of expenses which have been actually incurred by the operating officers during a definite period. This figure stands for the work which has actually been done. It measures the responsibilities imposed upon an operating officer and is made the basis of all efficiency investigations. On the other hand, it is equally essential that the operating expense statement of each company should accurately state the expense incurred in earning its revenue. By the use of the joint facility debit and credit accounts, both of these aims may be readily secured. In order to arrive at the efficiency figure, no credits are made before summarizing operating expenses; in order to arrive at the cost of revenue, the

credits are deducted in a lump sum after the charges to the primary accounts have been totaled. In a statistical summary which combines the operating expenses of all roads, these debits and credits will, of course, balance and, consequently, be eliminated from the statement, provided all parties to the joint use of the property are included in the statement. For these reasons joint facility accounts approve themselves to sound accounting principles.

CHAPTER VI

OPERATING REVENUES

Although transportation as such covers a wide range of services, the commercial character of the business transactions to which it gives rise, is the same for all kinds and grades of service rendered, and for that reason may be grouped under a single set of accounting records. These records, so far as they cover the credit side of railway operations, make up the operating revenue accounts.

§ 36. Definition of Operating Revenues.—Operating revenues may be defined as the earnings that accrue from the movement of freight, passengers, mail, express, and other goods however designated, and from the rendering of such services as are ancillary to the general business of a transportation company. This definition is the same in effect as the description of the "Accounts for operating revenues" to be found in the official classification. "The accounts provided for operating revenues," so read the instructions, "are designed to show amounts of money, which a carrier becomes entitled to receive for transportation and for operation incident thereto."

It will be observed that the above definition is the converse of the definition of operating expenses to be found in the preceding chapter. The language is quite the same except that "earnings" is substituted for "costs." This is intentional, for something will be gained if it is clearly seen that operating revenues and operating expenses are each complementary to the other. The

one is the credit and the other the debit side of the statement that closes with the net balance that shows how much operations have contributed to the financial success or failure of the corporation. Provided this relation were clearly perceived and strictly observed, quite a number of errors now carried by the reports of some railways would be eliminated.

It should be further observed that both the definition given above, and the instruction quoted, distinguish between revenues and receipts. This is correct. Revenue as an accounting conception is tied to service. It is confined to moneys earned by services rendered. Moneys collected for other companies, or which for any reason lodge in the treasury of the corporation, but are of no benefit to the finances of the corporation, are not revenues. While such moneys may swell the cash on hand, they do not affect in the slightest the net of operation or the surplus of current transactions.

The converse of this is also true. Revenue may be credited without the receipt of money. Provided the service has been rendered and a liability thereby created in favor of the railway, the revenue account will take credit for the amount earned whether money has been received for the service rendered or not. As stated in the definition, revenue is earnings accrued.

Legal Character of Revenue. The conception of revenue for which the foregoing definition stands, comes a little closer to the situation as it exists, when it is recognized that each act of transportation rests on a contract between the railway as a common carrier and the shipper as a purchaser of transportation service. In the case of freight, for example, the terms of the contract are minutely

described in the "Freight Classification," in the bills of lading, and in the published tariffs. Here one may learn the conditions of packing for shipment, the character and extent of liabilities assumed by the carrier, the use of cars and tracks at terminals granted the shipper, the units used in computing revenue, and many other items that might be named. Freight tariffs on American railways are quite complicated but, such as they are, the revenue that accrues to the railway is determined by applying the legal tariff to the actual service. This is done, in the first instance, by the station agent who deals directly with the shipper, but his computation does not fix the figure that goes into the book as revenue. In order to arrive at the revenue for which the accountant takes credit, all way bills, abstracts, and other similar papers, are subject to audit in the office of the Freight Auditor. Corresponding papers for the passenger service and for miscellaneous revenues, are checked by the Passenger Auditor, or the Auditor of Special Receipts. These auditors may be called the railway's experts in the application of the tariffs, and the definition given above of operating revenue may be extended to include the functions that they render.

The operating revenue of a common carrier is the amount which results from the application of the tariff to the service as determined by current audits. Under the law, it is not competent for a railway to receive more or less, nor for a shipper to pay more or less, than the legal tariff. The conception of an operating revenue is, in this country, a legal conception. Operating revenue is an accrued credit determined by the judicial act of an administrative officer.

Treatment of Corrections. There are, of course, corrections to be made after the primary audit is completed. This is true because the necessity for a quick determination of current revenues warrants the statement of revenues for a particular month, before all the facts relative to the transactions of that month can be reported. On a well administered railway the revenue accounts of a month are closed from twenty-five to twenty-eight days after the close of the month to which they pertain. In order to meet this situation, the standard rules of accounting provide that certain kinds of correction charges may be made against revenues when such corrections are determined. For freight revenues they are as follows:

The carrier's portion of overcharges resulting from the use of erroneous rates, weights, classifications or computations.

The carrier's portion of refunds on account of errors in routing and billing.

The carrier's portion of uncollected revenue on freight lost or destroyed in transit.

The carrier's proportion of uncollected tariff charges on damaged shipments for which charges neither shipper nor consignee is liable.

It will be noted that the above-named charges against revenues are due to a misinterpretation of the legal tariff, to misinformation as to facts, or to a failure on the part of the carrier to comply with the terms of the contract. The corrections are all in the direction of a more accurate statement of the legal revenue. Such charges against revenue are defensible, although efficient administration of the property in all its branches, will tend to reduce them from a small percentage to a vanishing quantity. It is their relative insignificance that justifies charging

the corrections that pertain to one month to the revenues of subsequent months. The assumption is that every month carries correction charges of about the same relative amount and therefore that no month is unduly charged. Such assumptions are dangerous, but in this case the departure from strict accounting seems amply justified. If a monthly statement of revenues were to be withheld until the transactions of every month could be charged with all the corrections that pertain to them, the delay thus occasioned would render them of slight significance to the management or to the financier.

These correction charges must be distinguished from failure on the part of a shipper to pay for a transportation service actually rendered. In that case, revenue has been earned. The management has the right to a credit for service rendered. The loss due to the failure of the shipper to perform his part of the transportation contract cannot be charged against revenues, but must be cleared out of the accounts in some other way.

Absorbed Expenses. The definition of operating revenues imbedded in the practice of American railways provides for another class of charges against revenues: that is to say, charges that stand for payments to outside parties for assistance in the execution of a transportation contract entered into by a railway, and for the execution of which the railway has taken credit. This class of charges brings up what is technically known as an absorbed expense. An illustration will make clear the meaning of this phrase and its bearing on the definition of operating revenue. Assume that a railway is obliged, by competitive conditions, to publish a tariff that contracts to deliver freight at some point beyond the terminus of

its own line, and that the payment of a switching charge is necessary to complete the haul covered by the legal tariff. In such a case, the true revenue of the contracting railway would be the amount which accrued under the tariff less the amount paid the switching company for assistance in effecting delivery.

That this is correct accounting is evident when one observes the result of following the only alternative treatment. The railway that takes the contract for delivery might set up the entire amount which accrues under the tariff as its revenue, and charge the amount paid the switching company as an operating expense. Net revenue would be the same as the revenue declared by the former method of treatment, but the revenues of the two companies concerned in effecting delivery of the goods would be duplicated to the extent of the switching payment. It may be laid down as a rule without exception that no railway should take credit for revenue earned by the capital and organization of another railway, or of any outside agency.

The principle of absorbed costs covers a wide range of charges. The following are mentioned in the definition of freight revenue found in the standard classification of operating revenue. They are expenses to be absorbed by revenue and not made a charge to operating expenses.

Amount paid as bridge and ferry arbitraries on freight.

Amount paid for completing a haul

Amount paid for elevation of freight.

Amounts paid for switching services, in connection with the transportation of freight, on the basis of switching tariffs, and allowances out of through rates, including the amounts paid for switching empty cars in connection with a freight revenue movement.

Amounts paid for transferring freight between stations.
Arbitraries and allowances to others for lighterage and wharfage.

Operating revenue is what a railway earns with its own organization and its own employees, the legal tariff being applied to the service actually rendered.

§ 37. The General Revenue Accounts.—Like all classifications in the standard system of railway accounts, this classification is divided into general and primary accounts. The general accounts, which are main headings under which congruous revenues are assembled, are four in number, as follows:

Transportation—Rail,
Transportation—Water,
Incidental, and
Joint Facility.

The first is by far the most important since it carries 97% of all operating revenues, but the other three call for cursory explanation, in order to make clear the structure of the revenue classification as a whole. They will be considered in reverse order to that of their mention. The classification itself, including both primary and general accounts, and the instructions for their use, will be found in Appendix B.

The Joint Facility Accounts. The purpose of the joint facility accounts in the revenue classification is quite the same as that already explained for the corresponding expense accounts. They are designed to distribute the net revenues that accrue from jointly operated properties, so that each party to a joint agreement will be credited with its proper share. This distribution may

require a company to pay over to others a part of what it has received for services jointly rendered, or to accept from others a part of what they have received. There must be, therefore, both a "credit" and a "debit" joint facility revenue account. The former includes "the carrier's proportion of revenue collected by others" in connection with the operation of joint properties; the latter, "the proportion of revenue from the operation of joint (properties) which is creditable to other companies." By the use of these accounts, it is possible for current records of the operating company to carry a single statement of all the revenues that accrue to a particular joint facility, and at the same time to cover with the total of its operating revenues only that proportion which belongs to it. The accounts of the "tenant" companies, also, are by this treatment properly adjusted.

Incidental Revenue Accounts. The "Incidental" revenues covered by a general heading are such as accrue from services which are not in themselves transportation services, but which must be performed in order that railway passengers and railway shippers may be served in the most effective and economical manner. They cover such sources of revenue as hotels and restaurants kept by the railway, parcel rooms and storage, grain elevators, stockyards, power plants when power is sold, and the like. A parcel room at stations is required for the convenience of passengers, but for many reasons the fee paid for a parcel check could not be covered in the price of a ticket. Demurrage must be charged, but it is not an "earning" of transportation. It is rather a penalty charge imposed in order to induce shippers to release cars; it is no part of the price paid for transportation. These are illustrations

of the kinds of revenue brought together under the general heading of incidental revenues.

From the accounting point of view, incidental revenues fall into two classes, namely: those that can and those that cannot be charged with specific expenses. For the former, an independent expense account is set up in the classification of operating expenses, as will be seen by turning to Appendix B, p. 275, which contains a list of "Miscellaneous operations" for which a specific expense account is maintained. All of the operations here named are to be found on their revenue side under the general heading "Incidental" revenues. The point to be observed is that, according to standardized practice, the gross revenues from miscellaneous operations are included with the gross operating revenues. This is the usual statement as compiled and published by railways. At the same time, the net revenue of both groups of operations may be read from the statement, and the net revenues of any particular miscellaneous service may be read from the accounts. This adjustment is the result of the Revision of 1914. Originally, the net revenues only of miscellaneous operations was set forth in the general statement of operations.

For the other class of incidental revenues, no attempt is made to segregate expenses. "Station, train and boat privileges" appear in the accounts as gross revenue. The same is true of parcel room receipts, storage of freight or of baggage, and the like. Expenses are, of course, incurred in earning these revenues, but they remain in the accounts buried with other expenses. The amounts involved are relatively small. The needs of the auditor of revenues are fully met, and no serious error is likely to arise.

The same consideration explains the appearance of an account entitled "Rents of buildings and other property" as a primary account under the general heading "Incidental" revenues. According to strict analysis, all rents should be credited to income and not to operation. It stands for what is received for the loan of capital, and not for the rendering of a service. But it is not always possible to arrive at the pure rent. In a general office building, for example, a spare room may be taken by a tenant for a flat rate per month. It is not possible to say how much should be charged against this rent for heating, lighting, elevator service, telephone service, janitor service, and the like. It is not possible to separate the pure rent from the repayment of expenses incurred by the railway for the benefit of the tenant. For this reason, the entire amount is covered into operating revenues as a flat rental receipt. The rule on this point carries the explanation. It says clearly that the operating rental account is to be used only "when the property is operated and maintained in connection with the property used in the carrier's transportation operations, and the expenses of maintaining and operating the rented portion cannot be separated from the expenses of that portion used by the carrier." This distinction ought to be grasped firmly by every accountant, for more mistakes are made in the treatment of rentals than in the treatment of any other class of entries.

Transportation—Water line. It will be observed from the above list of general revenue accounts, that water line transportation is given a separate heading. This does not mean that the earnings of every boat, ferry, or lighter operated by a railway must be classed as water line rev-

enue. On the contrary, rail line transportation includes "the necessary conveyance by water transfers (ferries, lighterage, and floatage) either between track terminals or between track terminals and points not reached by tracks." The ferry boats that carry cars from Frankfort in Michigan across the lake to Manitowoc in Wisconsin are classed as railway floating equipment, and the revenue that accrues is classed as rail line transportation revenue.

In contrast with the above, reference may be made to the line of boats operated by the Erie Railway Company between Buffalo, New York, and Manitowoc, Wisconsin, or by the Southern Pacific Company between New York City and Galveston, Texas. These are water lines in the technical sense of that phrase, and the revenue which accrues from their operation must be separately stated. Inasmuch, however, as the capital invested in the ships and other property used, is furnished by the railway and appears on the railway balance sheet, the water line transportation revenue must be covered into the operating revenue of the carrier. Following the principles accepted by the standardized system of accounts, this water line revenue is entered as a gross and not as a net amount, which requires that a separate group of expense accounts be maintained in the classification of operating expenses. On page 275 of Appendix B will be found a list of three primary accounts which together make up the transportation expenses to be set up as a direct cost of water line revenue.

Transportation—Rail Line. To create rail line transportation revenue is the purpose for which railways are constructed and operated. It covers the earnings of

the freight service and of the passenger service. Speaking generally, freight service is rendered by freight trains, and passenger service by passenger trains; but there are many cases of intermingling and of crossing over. Silks, for example, may be shipped on freight bills, but the car carrying the silks may be coupled to a passenger train. Caretakers on stock trains go east on freight trains and west on passenger trains, the service in both cases being covered by the cattle tariff. Milk, if carried per package regardless of weight, is passenger service, like mail and express; but if milk is carried by weight under a tariff, the revenue that accrues is freight revenue. These are but illustrations of the many specific facts respecting the legal basis of transportation, and the management of trains, that must be known before one can understand or use the classification of rail line revenues. Speaking generally, this classification observes the distinction set up by operating officials between the freight service and the passenger service.

There are, however, transportation revenues that go with neither of these services, the most important being that of "switching." The unit of service in this case is neither the person nor the thing carried, but the car. The switching tariffs, also, are constructed on different principles from those that hold good in freight tariffs or passenger tariffs. A slight knowledge of railway economics justifies a separate account for switching revenues.

"Special service" trains, such as government troop trains, circus trains, theatrical trains, and the like, are given a separate account, and another account for "Other freight train" revenues is provided for unusual services rendered by the freight department. The classification of

rail line revenues conforms very closely to the way in which the property is operated.

§ 38. **The Two Considerations Involved.**—The classification of operating revenues should be determined by two considerations. It should meet the requirements of the auditor of revenues, whose task it is to see that the service has been accurately described to the shipper or the passenger, and that the legal tariff has been correctly applied in computing the revenue. It should also meet the requirements of traffic officials whose duty it is to adjust freight and passenger classifications and tariffs to the industrial needs of the respective communities which the railways serve. The first of the considerations named seems to have given shape to the accepted classification.

The Auditor's Classification. A study of the revenue classification makes it apparent that every service sufficiently distinct to claim the attention of the General Manager in framing instructions for operating employees, is provided with a separate revenue account. Thus, the sleeping car service, the mail service, the express service, are each provided with a separate revenue account. Services incidental to transportation like stockyards, elevators, and power plants, appear in the classification as independent revenue producers. A considerable number of relatively unimportant revenue producers, also, like the dining and buffet service, the parcel room service, overweight baggage, and storage, are given separate headings in the classification. As compared with these revenue producers of minor significance, which all together do not secure more than 7% of total revenues, the movement of passengers which produces 23% and the movement of

freight which produces 70% of all the revenues that accrue on American railways, are provided each with a single primary account.

It must be conceded, in view of such a statement, that the standard classification used by American railways has been worked out with the interests of the Auditor primarily in view, and, from this point of view, it must be deemed a good classification. The organization of an audit force is easy when one has this classification to go by. The instructions that must be given the various groups of clerks, as also the blanks and forms placed in their hands, are found, in embryo, in the text that defines the respective primary accounts. One can imagine the floor space of the rooms set aside for revenue audits, to be divided up according to this classification.

This is no criticism of the classification. The needs of the Auditor ought to be recognized. It is, however, a question of some importance, whether or not this classification of operating revenues should be adjusted exclusively to the convenience of revenue audits. Is there not a deeper meaning in revenue accounting that should be recognized in the analysis and classification of operating revenues? While there are hints, here and there, of the influence of the services rendered by the traffic officials, the Traffic Manager, so far as useful information drawn from this standardized classification of revenues is concerned, must content himself with the crumbs that fall from the Auditor's table.

The Traffic Manager's Classification. The traffic department is the weak spot in the American railway situation. As salesmen of transportation, its officials show industry and efficiency, but the administration of the

department does not disclose a masterful appreciation of the meaning of tariff schedules, whether such schedules be judged from the social, the industrial, or the investment point of view. This is no personal criticism of traffic officials. The work of every man is largely controlled (in railway traffic matters absolutely controlled) by the legal and competitive conditions that surround the business for which he works. The indifference of traffic officials, and the relatively inferior grade of commercial intelligence commonly secured for service in the Traffic Department, is explained by the fact, that current administrative and judicial opinion looks upon the determination of a reasonable rate as a function of operating expenses. So long as cost accounting is assumed to be the last word in a rate controversy, little or no use will be made of the more significant information that might be drawn from a scientific analysis of operating revenues. It is the erroneous interpretation given to Smyth *v.* Ames that is responsible for the arrested development of the standard classification of operating revenues.

The present situation is most unfortunate. Not only is it impossible to compute the specific cost of a specific service, but this dogma that the cost of service is the measure of the proper rates, precludes the consideration of the rôle played by inland transportation in the social and industrial world. The fundamental criticism here submitted is the fact that the relation of railway rate schedules to the industrial development of the nation finds no place in the cost theory of rates. The problem thus raised can not be discussed in a treatise confined to railway accounting. It is referred to merely as a means of explaining why the classification of operating revenues fails

to show the influence of tariff discussion. As soon as the cost theory of reasonable rates shall have proven its futility, this revenue classification will again be taken up. It will be rewritten so as to provide for a comparison of the sources from which revenues accrue, an analysis of the services on which they accrue, as well as a study of the social, industrial, and even political results for which railway tariffs are responsible. This revision of the revenue classification will take place, when it is recognized that the key to the problem of specialized railway tariffs is to be found in the scientific classification of operating revenues. The classification of operating expenses will then take its place as an analysis designed for the information of operating officials, while the classification of operating revenues will become the analysis specially designed for the use of traffic officials and Railway Commissions when dealing with rate questions.

It is evident from what has been said that a satisfactory classification of operating revenues can only be worked out under the guidance of a satisfactory program of railway tariffs. The field of investigation as preparatory to such a classification may, however, be clearly discerned. It will be remembered that freight revenue and passenger revenue are each given a single primary account, although together their two accounts carry 93% of the total operating revenue. Such an adjustment might be proper if the services on which freight revenue and passenger revenue respectively accrue, were homogeneous in character. This, however, is not the case. Freight revenue, for example, covers an indefinite number of different commodities, carried under many different conditions, and holding many different relations to the life of the community and

the development of industry. Passenger revenues, also, although apparently simple in character, do in fact cover different kinds of service for which different prices are charged, and which are followed by essentially different social and business results. The forerunner of a classification of operating revenues, so formed as to meet the requirements of the Traffic department, is an intelligent analysis of freight and passenger traffic. It involves, possibly, the rebuilding of the traffic structure, beginning with the Freight Classification.

CHAPTER VII

THE INCOME ACCOUNT

The first group of accounts in a comprehensive accounting system pertains to the construction of the property; the second group covers the operations of the property; the third group, which stands for all that remains of accounting records, includes the income account; the profit and loss account, and the general balance sheet. It is the purpose of these accounts to show both the current and accumulated loss or gain resulting from the business activities of the corporation whose transactions are under review, and to disclose the facts by which those results may be explained. The present chapter undertakes an analysis of the income account.

§ 39. **Definition of the Income Account.**—The income account, as that phrase is used by American railway accountants, covers a statement of credit and debit items designed to show the surplus or deficit arising out of the transactions of a definite fiscal period. The fiscal period selected, whether a month, a half year, or a year, marks the boundaries of the income statement, and too great emphasis can not be placed on their strict observance. To include in the income statement an entry which stands for a transaction outside of the period selected, is an accounting misdemeanor. It is this conception of a time limit that suggests the formal separation of the income statement from the profit and loss statement, and that marks the significant difference between the income

surplus and the balance sheet surplus. The income statement stands for a definite period; the profit and loss statement disregards all periods; the balance sheet balance covers the entire life of the business.

Another consideration besides that of the fiscal period must be held in mind in order to appreciate the character of the income statement. This is the conception of a personalized business interest without which it is impossible to trace clearly the line that separates income entries from operating entries. In the case of a partnership, or of certain kinds of incorporated concerns, the operating responsibility and the financial responsibility are assumed by the same individual or set of individuals; but the development of corporate organization for the management of great industries, has effected a well recognized separation between these two functions. The income statement is primarily for the use of the corporate management. Its purpose is to show the amount at the disposal of the Board of Directors, and, according to the practice of American railways, to show, in part, what disposition has been made of that amount by the Board. The income statement may be regarded as the corporation statement, in the same sense that the revenue statement is the operating statement, the corporation being regarded as an organization which stands for a distinct business personality.

§ **40. Form of Income Statement.**—The phraseology observed by the form of income statement promulgated by the Interstate Commerce Commission, makes clear the purpose described above. The statement may be said to begin with the "Net revenue from railway operations" which is taken over from the operating accounts.

From this is deducted "Railway tax accruals," and the remainder is called "Railway operating income." The point to be noted is the transition from operating *revenue* to operating *income*. This, of course, is an arbitrary use of terms, but a developing science has the right, within reasonable limits, to determine its own nomenclature. With this transition the responsibility of officials as operators of the property ceases, and that of the Board of Directors, representing the *de facto* owners of the property, is forced into prominence. Revenue is an operating word; income is an ownership word. The fact that the corporation is a legal rather than a natural person does not dim this distinction as an accounting distinction.

To the operating income there is next added the income which accrues to the corporation by virtue of its ownership of, or interest in, productive properties which it does not operate, or of its being the beneficiary of running contracts or agreements. The sum of these several items constitutes the "gross income (or loss)." It is quite in harmony with the idea of business personality that stands back of the income statement that this figure should be called the gross corporate income.

From the gross corporate income there is next deducted the liabilities which have accrued during the fiscal period against the corporation, because of its use of property not owned, or because of running contracts or agreements respecting which the corporation sustains the part of a debtor. The remainder is the "Net income (or loss)," or, to speak more technically, the net corporate income. It is this figure that measures the amount placed at the disposal of the Board of Directors by the operating and contractual transaction of the fiscal period covered by

the income statement. The primary accounts covering this statement will be found in Appendix C.

The purpose of assembling the balances of the various accounts that make up the income statement, is to arrive at a true statement of net corporate income. All income accounting rules are designed for the protection of the integrity of this figure.

Immediately following is a bookkeeping form of an income statement, so drawn as to make provision for either a surplus or a deficit balance. It will serve to make clear the foregoing explanations.

INCOME STATEMENT

Credits	*Amounts*	*Debits*	*Amounts*
Operating income (less taxes)		Operating loss (plus taxes)	
Income from securities owned		Interest on funded debt	
Profit on industrial investment		Interest on current debt	
Profit on security investment		Contractual dividends	
Rents receivable		Loss on industrial investments	
Release of premiums on funded debt		Loss on security investments	
Other income credits		Amortization of discounts	
		Rents payable	
		Other income debits	
Total credits		Total debits	
Balance (deficit)		Balance (surplus)	
Total		Total	

§ 41. Treatment of Taxes.—The treatment accorded taxes in the standardized accounts was stated above. They are made an independent deduction from net operating revenue, the remainder being called operating income. The operating officers are responsible for operating expenses, and the financial management is responsible for contractual expenditures; but responsibility for the amount paid by a railway in taxes rests with the government. In this fact is found a formal reason for excluding taxes from both operating expenses and fixed charges. To include them would tend to weaken that sense of responsibility essential for efficiency in management or economy in administration.

The chief controversy on this point is with those who claim that taxes ought to be classed as an operating expense. Taxes, it is urged, are an expense to the railway and should be included with other items in the measurement of the direct cost of earning revenue. This consideration is of peculiar importance in the United States, in view of the current theory for the determination of just and reasonable passenger and freight rates. According to that theory, high operating costs may be urged as a defense of established rates and as an argument against rate reductions. The error of this line of reasoning lies in the assumption that operating expenses cover all elements of cost in rendering a transportation service. An analysis of the true cost of earning revenue makes it evident that interest charges, rents, and other similar items, should be included, as well as taxes and operating expenses, in order to arrive at the total outlay incident to railway service. There is no danger that the items covered by direct transportation costs will be mis-

understood because they fail to cover the amounts paid as taxes.

The reason why taxes are grouped by themselves, and made a deduction from net operating revenue, before arriving at operating income, is primarily statistical. It is a fundamental principle of statistical classification that only those elements or items should be grouped which possess the same trend, or which show the same tendencies. Transportation by rail is subject to the law of "increasing returns"; that is to say, each increment of traffic is added at a relatively reduced cost per traffic unit. This means, other factors remaining constant, that an increase in traffic will not be followed by a corresponding increase in operating expenses; and, consequently, that net revenues tend to increase at a more rapid rate than gross revenues. The cost per unit of service rendered falls with the rise in the number of units. This is the fundamental law of railway operations. Upon it rest the economics of transportation.

The relation between taxes and traffic, or between taxes and gross revenue, on the other hand, is quite the reverse. The fact at the present time is (whether or not this is a social law may be left for others to discuss), that taxes tend to increase more rapidly than gross revenues. Were taxes and operating expenses to be grouped under a single heading, the result would be that two elements of divergent tendencies would be united, and the statistical statements recorded from year to year would fail to measure truthfully the tendency of either element. In this fact is found the reason for excluding taxes from operating expenses, and for bringing them into the accounts as an independent entry.

§ 42. Treatment of Rents.—For the most part, the items in the above income statement explain themselves, and, provided the entries are strictly confined to accruals during the period which the statement covers, no difficulty will be encountered. The question of rents, however, is not altogether a simple question; at least, it seems to have been the occasion of considerable embarrassment to railway accountants. In the first place, they do not readily undertake the separation of formal rent into pure rent, and the repayment of expenses incurred by the lessee for the interest of the lessor, so as to carry the former to the income account and the latter to the operating accounts. In the second place, it seems to be the inclination of railway accountants to dispose of rentals paid by charges to operating expenses, and of rentals received by credits to income. There is no justification for such a distinction. The accounting rule is clear. The amounts paid as pure rent for the lease of the property, as well as the amounts received for property leased, should be covered by income account entries.

The propriety of the above rule will be readily conceded, when it is recognized that a rental payment is the same in kind as an interest payment. Both are payments which stand for the earnings of property, and for property owned by investors who assume none of the risks of operation. The interest is paid directly to the holders of the obligation incurred by the operating corporation, but the corporation owns the property. The rent is paid to the owner of the leased property placed in the hands of the operating corporation for its use and benefit. In both cases, the personal investors receive a return on their investments. The fact that the lessor, in railway combi-

nations, may be, and usually is, a subsidiary non-operating corporation, does not alter this statement; the only difference being that in such a case, the subsidiary corporation, which holds the title to the leased property, stands between the operating company and the bondholders who are the real investors. This intermediary corporation receives payment for the use of property leased in the form of rent, and distributes the rental received in the form of interest. For the same reason, therefore, that interest on bonds is charged to the income account, rents paid for the use of property not owned should be so charged.

Everything in the nature of a rental received, or a rental paid, should be carried by the income account. The standard system of accounts prescribed for American railways, however, fails to make a strict application of this rule. Attention was called in the foregoing chapter to the fact that the classification of operating revenues provides a primary account for "Rents of buildings and other property." This deviation from strict rule was explained by the statement that, if properly applied, the margin of error resulting from such a practice is so narrow that its elimination is not worth the cost.

Not all rental transactions, however can be treated in this cavalier manner. Current practice in the use of property owned by independent corporations, discloses four conditions, each of which gives rise to a peculiar phase of the rental problem. These conditions are suggested by:

Leases covering exclusive use of property,
Leases covering partial use of property,
Interchange of freight cars, and
Joint facility rents.

Each of these will receive separate consideration.

Leases Covering Exclusive Use of the Property. For the purpose of exact accounting, a distinction should be made between an exclusive lease and a lease which grants partial or joint use of the property. In the case of an exclusive lease, the corporation that owns the property has no interest in its operation, and is, therefore, excused from the necessity of keeping any kind of operating records. Under such conditions, the chief function of a lessor corporation is to receive money as rent and to distribute it in the form of interest or dividends. For this purpose it is only necessary for the accountant of such a corporation to keep what is technically known as financial records. The statistical report on railways in the United States for the fiscal year 1914 contains a list of 703 "Subsidiary non-operating" companies, which, for all practical purposes, are merged into operating systems by means of leases that confer upon the lessee the right of exclusive and continuous use of the property.

Since most exclusive leases stand for independent properties, and since the process of system building for which they are used has extended over long periods of time, and has called into exercise the judgment of large numbers of men, it will occasion no surprise to learn that the terms of such leases are as various as the whims of the contracting parties. The lease may call for the payment of taxes by the lessee, or it may not. The rental may be a cash rental, or it may be an assumption by the lessee of the interest that accrues on the bonds, or a guarantee of dividends on the stock, issued by the lessor. The amount of rent to be paid may be contingent upon earnings, and in some cases this quasi-partnership between the lessee and the lessor goes so far as to hold the latter responsible for

all or a part of an operating deficit. Commonly, the contract makes the lessee responsible for the maintenance of the property leased, in which case the amount named as rent is pure rent, and a charge to income to its full amount. Should it occur, however, that the lessor maintains the property, as is sometimes the case when a large operating company leases a siding, a spur, or a branch line from an industrial company, the amount paid as rent must be reduced by the cost of maintenance before arriving at the amount of pure rent properly chargeable to income.

In the case of exclusive leases, it is not uncommon for the contract to recite that the lessee shall assume the direct payment of the interest that accrues on the outstanding bonds of the lessor, or that a certain dividend be guaranteed on the stock. These words do not change the character of the payment. On the books of the lessee, such interest and dividends are rent and should be so charged. On the books of the lessor, also, these payments are to be credited as rent and charged out as interest and dividends paid.

This is no place to discuss those complex inter-corporate relations that arise, on account of the large variety of rental contracts, but one point is worthy of mentioning. Not unfrequently the lessee corporation is the owner of a sufficient number of the securities issued by the lessor, to ensure either direct or contingent control; and, the rental contract being executed, the securities thus owned are used as collateral for the issue of new securities by the lessee. In some cases, three or four layers of securities rest on the same physical property, and each transaction requires a credit and debit entry in the income accounts

of the various corporations concerned. No difficulty need arise on account of this duplication of entries, so far as the final surplus of the operating corporation is concerned; but it is necessary to exercise great care if, for any reason, it is desired to combine the income accounts of the operating and subsidiary companies into a single statement. For this purpose, the duplication must be eliminated, a task that can only be accomplished through an accurate and detailed knowledge of all the financial transactions involved.

The significance of this duplication will be appreciated when it is observed that the total outstanding railway capital of American railways on June 30th, 1914, was $20,247,301,257, of which the net amount not held by railway companies was $15,719,796,925. Should the former amount be spread on a mileage basis, the amount per mile of line would be $85,800, whereas the true amount of outstanding obligations per mile of line was $66,600.

Lease Covering Partial Use of Property. In the actual management of railways, it frequently occurs that units of property covered by the capital expenditures of one line, are loaned temporarily to another line to be used by it in the conduct of its operations. For example, a locomotive, a passenger car or work equipment, may be hired out at so much per day, or per month, or on some other basis corresponding to use. Such a rental agreement is not an "exclusive lease," in the sense in which that phrase was used in the foregoing paragraph. There is no thought of making use of such rental contracts to build up a permanent operating system under the control of the lessee. The transaction under consideration is nothing more than a temporary loan of specific units of property.

The peculiar accounting significance of such a transaction arises from the fact that the lessor commonly assumes all maintenance and replacement expenses incident to the property temporarily leased, and covers the original charges for such expense in his operating expenses. In this case, the amount received as rent is not pure rent; it is in part a reimbursement of expenses incurred.

The situation outlined gives rise to two accounting problems.

First: In view of the fact that the lessor assumes an expense caused by the lessee when earning its revenue, how is it possible to arrive at a statement of the direct cost of revenue for either the lessee or the lessor? One phase of this question was discussed in Chapter V, in connection with the several joint facilities accounts for which the classification of operating expenses makes provision. The same analysis, and theoretically the same conclusion, may be applied to property hired out for temporary use. This, however, is not a case of property jointly used, and for that reason a different accounting rule is applied. According to the rule laid down in the standard system of railway accounting, the lessor, having determined from his own records the proportion of the gross rent applicable to repairs and depreciation, makes a credit of these amounts to the operating expense accounts originally charged, and the amounts thus credited will be charged to the corresponding accounts in the operating expense accounts of the lessee line. In this manner, each line will arrive at the direct cost of its revenues, although neither line will carry in its primary accounts, the amount of money actually spent by the responsible officers. The integrity of the cost of revenue is maintained, but the

figure by which efficiency is to be tested is thrown away. Had the joint facility rule been applied, both figures would have been preserved.

Second: The second question is closely allied to the one just considered. The nominal rent for property temporarily leased (for example, the $10 per day paid for the use of a locomotive), covers repairs and depreciation in addition to the pure rent. Repairs and depreciation are operating charges, while pure rent is an income charge. How can the nominal rental be segregated so as to assign to each account its proper share? The rule laid down for attaining this result is as simple as it is arbitrary. The primary operating records are accepted as the basis for determining the maintenance costs; the remainder of the rental payment is assumed to be pure rent. The primary operating expense accounts of the lessor are credited with a proper portion of the amounts originally charged for the maintenance of the property leased, this portion being determined on the basis of use, and the difference between this amount and the amount received as nominal rent is the pure rent to be credited to the income account against the headings,

Rent for locomotives,
Rent for passenger cars,
Rent for floating equipment, and
Rent for work equipment.

Inasmuch as the accounts of the lessor and lessee are ultimately to be combined into a consolidated statement by the Statistical Division of the Interstate Commerce Commission, it is essential that the records of the lessee should show the converse of those of the lessor. To accomplish this result, the lessor is required to show upon

the bills which it renders, the distribution of maintenance charges to the primary accounts, and the distribution thus shown is followed by the lessee in making corresponding charges to its primary maintenance accounts. What is credited to a primary account by the lessor is charged to that same account by the lessee.

The point of especial importance in the discussion, however, is the fact that it is essential for correct accounting that income account rentals should be strictly confined to amounts paid as compensation for the use of invested capital.

Interchange of Freight Cars. The accounting treatment of freight cars interchanged differs from that outlined in the foregoing paragraph which pertains to the hire of locomotives, passenger cars, floating equipment, and work shop equipment. This difference consists in two things. In the first place, the original entry in the primary accounts, "Hire of freight cars—Credit balance," and "Hire of freight cars—Debit balance," carry a balanced and not a gross amount. The same income statement will not cover a credit and a debit entry for the interchange of freight cars. The propriety of such a rule rests upon the peculiar practice of American railways with regard to the use of freight cars for interline freight traffic.

Terminal and loading expenses are a considerable portion of the cost of transportation. In order to reduce this expense, and also to avoid the delay incident to the unloading and loading of freight, when freight is turned over by one line to another line, the cars of the several companies interested in through traffic are used indiscriminately, and adjustment made either on the basis of a per diem or a per mileage payment. A significant feature

of the agreement relative to the interchange of freight cars is that all repairs, outside of running repairs, and depreciation charges, are borne by the owning company. This results in a charge to the operating expenses of the lessor for repairs made necessary by the use of the cars by the lessee; from which it follows that the per diem or per mileage payment is in part a repayment of the cost of repairs and of the charge for depreciation.

A peculiar difficulty arises in the separation of pure rent from nominal rent in the case of the per diem or per mileage payment for the use of foreign cars. In most cases of rental contracts, the nominal rent may be said to be the sum of pure rent and the expenses incurred in the maintenance of the property leased, and, provided one of these elements can be determined, the remainder may be accepted as the true measure of the other element. In the case of interchanged freight cars, however, the price fixed is in fact a penalty price, and on that account bears no necessary relation to either the cost of repairs or the interest on capital invested. The chief purpose of the general manager, especially when the commercial conditions are such as to result in a shortage of cars, is to secure a quick return of the cars used by the foreign companies, and this he does by imposing a high per diem or per mileage charge for their use. A charge of seventy-five cents per day per car, for example, exceeds the average daily cost of repairs and interest on the money invested in the car, the difference being the penalty which the using company incurs, should the retention of the car be unduly extended. This penalty charge, it may be said in passing, has a tendency to force all companies to provide for an ample

number of freight cars out of their own capital, rather than to rely upon the capital of foreign companies for cars used.

So far as the income account is concerned, however, it is not necessary to distinguish between the pure rental element and the penalty element of the rental paid for the use of freight cars. Unless there is some reason from the manager's point of view why they should be separated, both items may be carried, either as a net debit or a net credit, to the "Hire of Freight Cars." It is, of course, understood that the maintenance charges are taken out of the per diem payment before arriving at the amount carried to the income account.

Joint Facility Rents. In the standard system of railway accounts, a special heading is provided in the income classification for joint facility rents. It is designed to cover the pure rental feature of interline settlements for jointly operated or jointly used property. Tracks, yards, terminals, signals, and many other kinds of property owned by one line, may be jointly used by two or more lines, and leases to cover such use are usually drawn so as to distribute to the joint lines the expense incurred for the maintenance and operation of the property in proportion to the use made by each line of the property jointly used. The situation is not at all different from that discussed above, so far as the pure rent involved in the payment is concerned. The rule laid down for the guidance of accountants is as follows:

> When the compensation for the use of joint facilities is a fixed amount or is based upon a charge for passenger, ton, car, or other unit, it shall be jointly apportioned between this account (that is the "Joint Facility Rents" in the income accounts)

and the appropriate joint facility operating expense accounts. This apportionment shall be made by the operating company and shall be followed by the accounting company.

§ 43. Other Income Credits.—Other forms of income accrue from the ownership of property besides that covered by rental leases. These may be mentioned in the order in which they appear in the authorized classification of the income accounts.

The most important of this list is the net credit balance that accrues from the operation of a property owned by a railway in its corporate capacity, but whose operations are entirely distinct from that of the property assigned for transportation. The property concerned is listed with railway assets and carried on the balance sheet as "Miscellaneous physical property." It covers such property as mines, timber lands, commercial power plants, lands and buildings not used for transportation whatever the purpose for which they are held, sawmills, and other manufacturing plants. These properties should not be confused with properties like ice plants, gas plants, and others of the same class, whose operations are undertaken as a part of the service of moving passengers and freight. The operations of such properties are covered by the operating accounts. By contrast, the properties under consideration are owned primarily for the profit they can give, their operation is outside of the service of transportation, and the investment which they represent is an investment of corporation capital; all of which shows the propriety of recording the net profit that they produce as an income credit. Extensive investments of this class may call in question the wisdom of the financial policy responsible for them, but if railway capital has been used

for non-railway investments, the accountant must adjust his records accordingly.

Another occasion for the recognition of profits as an income credit arises from the investment of railway capital in outside companies engaged in some special commercial enterprises. The significant point is that the railway stands as a partner, or proprietory investor, in a company that maintains a separate business or a separate corporate existence. In this case, it is the final profit that is credited to the income account, and not, as in the case above, a "net credit balance of the non-operating revenues or income." Where a railway, in its corporate capacity holds the securities of an independent corporation, whether such a corporation is engaged in transportation or in some general commercial enterprise, its income account should accept the dividends declared, or the interest that accrues, on such investments.

It is necessary to note in this connection that the standardized accounting rules for American railways limit the credits for this class of transactions to dividends and interest actually "collected," unless their payment is reasonably assured by past experience, or by some form of guarantee. This is doubtless good sense when one considers the general result; but it is a departure from strict accounting. This is equivalent to writing a bad debt out of the accounts by not writing it in; a procedure that imposes upon the accountant a responsibility which he should not be called upon to bear. It should also be recognized that, being clothed with this power of exercising personal judgment as to what should and what should not be included in the accounting record, he is in no position to resist the management or Wall street, should that interest submit

improper suggestions. It is a sound rule which requires that all real transactions should be covered by the accounting record, and the accrual of interest on a bad debt as long as it remains unadjusted, is a real transaction as much as the accrual of interest on a good debt. A margin of judgment for the accountant, if allowed at all, should be very carefully guarded.

The rules further provide that, in case securities which bear a date for maturity are bought at either a premium or discount, the amount of such divergence from par may be spread over the years intervening between the date of acquisition and the date of maturity, and carried as a credit or a debit to the primary account "Income from funded securities." This means that the profit or loss on investments in securities are to be taken into the accounts annually, rather than to wait until the transaction has matured and then carry it through the accounts as a lump sum. The significant accounting feature of the rule is that "amounts thus credited or charged shall be concurrently charged or credited to the account in which the cost of the securities is carried."

The last class of income credits cover what may be termed the company's claim on the company's revenues. This income is not a true income in the sense that it increases the final surplus of the company. It may, however, affect the standing of the stockholder's equity in a very marked degree. It stands rather for a claim that one interest has as against other interests, both of which pertain to the same business or corporation. It may spring from a legal obligation, or the obligation on which it rests may be an accounting obligation, but in neither case can the obligation be ignored. An income that ac-

crues from previous sinking fund investments, or the credit that must be allowed for the release of premium on funded debts, are cases in hand.

§ **44. Income Debits.**—A consideration of income debits is, to a large extent, the converse of what has already been submitted in the analysis of income credits. As the latter stand for the contractual or corporation receipts, so the former stand for the contractual or corporation expenditures. Income debits cover all deductions from the gross income of the corporation before arriving at the net surplus or deficit resulting from the operating and financial transactions of the year or fiscal period under consideration. The large item is interest on funded debt, and so long as railways continue to be private enterprises, this item will be a permanent and probably a constantly growing item. A government owned railway might hold it to be a wise policy to redeem outstanding obligations in order to extinguish the annual interest. The real owners of the property, the people, could than reap a dividend (or the equivalent of a dividend) in a reduction of passenger and freight charges. But a private corporation has no adequate motive for extinguishing its debt. According to the 1914 report on the operation of American railways, "Interest deductions for funded debt" amount to $375,296,354 out of a total of "Gross Income" of $912,908,927.

Rents paid for lease of property stand next in order of importance among income deductions. This item accounts for $122,592,248 out of the total of gross income named above. The income account from which these figures are taken makes no attempt to eliminate duplications that arise because of intercorporate transactions. The leases that are the occasion of this payment are, for

the most part, long term or perpetual leases, and are entered into by the lessee in order to build up an operating system and render it stable as an organized business unit. In most cases, also, the lessee assumes the responsibility for the maintenance of the property, and, consequently, the amount paid under the agreement is a pure rent and should be charged in full to the income account. Should the agreement impose upon the lessor any responsibility that incurs an operating expense, the normal rent should be analyzed and the charges made under the rules already considered in connection with rental credits.

Another debit entry for which the standard income account makes provision pertains to the expenses of organization or administration of lessor companies whose property is carried into the operating system by lease, contract, or agreement. Even the lessor companies, so long as they maintain an active legal existence, are obliged to incur certain expenses such as advertising annual reports, issuing calls for Directors' meetings, publishing notices of declaration of dividends, and the like. This class of expenses must be deducted from the rent received under the lease, before settlement can be made with the stockholders or bondholders of the subsidiary company. In some cases, the contract provides that the lessee shall meet the organization expenses of the lessor, in which case this expense comes to be an item in the rental payment. This group of expenses should be clearly distinguished from the organization and administration expenses incurred by the operating railways. Such expenses are made a specific charge to operating expenses.

Amortization of discounts is another charge for which the debit side of the income makes provision. The text

descriptive of this primary account provides that it "shall be charged during each fiscal period with a proportion of the discount and expense on funded debt obligations applicable to that period." The situation may be easily explained. In case a fifty year bond is sold at 20% discount, the corporation making such a sale agrees to repay the principal of the bond at maturity. It is a generally accepted rule that amortization of discount should be spread over the life of the bond [this treatise says the operating life of the bond] and thus obviate the necessity of an extraordinary payment when the bond is redeemed. The rule laid down in the standard system of accounts requires that "a charge to this account for any period must not be either greater or less than the proportion of the balance remaining unamortized applicable to that period." This means that the revenues of any period cannot be burdened with a charge for the amortization of discounts in excess of the amount which pertains to that period, according to the rule of uniform application. The corporation is permitted, however, to write out at any time a discount which remains unamortized by a direct charge to profit and loss. This distinction seems proper inasmuch as a charge to profit and loss is, in effect, a burden upon the surplus which has been accumulated during the operating life of the property, whereas a charge to income is a burden imposed on the revenues of a particular period.

The treatment of appropriations, which, under the standardized rules used by American railways, are allowed to pass through the income account at the option of the accountant, are considered in the chapter that follows.

CHAPTER VIII

PROFIT AND LOSS ACCOUNTS

Considerable latitude in accounting methods is disclosed by a study of the manner in which the balance of the income statement is carried into the general balance sheet. This arises from the fact that some systems of accounting provide separate statements to carry all the appropriations of surplus, whether current or accumulated, while other systems distribute this class of charges between the income accounts as deductions from current net income, and as debit entries in the profit and loss accounts. The system of accounting prescribed for the use of American railways approves the latter method, and it is here accepted as the basis of critical discussion.

§ 45. Definition of Profit and Loss.—The definition of profit and loss accounts approved by the Interstate Commerce Commission is as follows:

> Profit and loss accounts are those designed to show the changes in the corporate surplus or deficit during each fiscal period, as affected by the operations and business transactions during that period, by any disposition of net profits made solely at the option of the accounting company, by accounting adjustments of matters not properly attributable to the period, or by miscellaneous gains or losses not provided for elsewhere; and to show also the unappropriated surplus of the carrier at the date of the balance sheet.

This definition as it stands, involves the inconsistency of making appropriations out of a surplus before the sur-

plus is known, for the true surplus can not be known until after allowance is made for debit and credit profit and loss entries exclusive of appropriations.

It may be answered that a trial statement of the balance sheet is sufficient. This is doubtless true. Almost any system of records can be worked if the accountant is careful. That, however, does not excuse the continued use of an unsatisfactory statement. One mark of sound records is, that all congruous items should be treated in a single statement. It should not be necessary to look in two or three places to arrive at the balance that measures some single homogeneous fact.

An illustration of this duplication of entry may be found in the classification covered by Appendix C. Five items are carried by the income account as disposition of net income, which are repeated in the list of debits in the profit and loss accounts. For example, under income, primary account 553 is entitled "Dividend appropriations of income," while under profit and loss, primary account 614 is entitled "Dividend appropriations of surplus." They are the same thing. Why should the standard form of a financial statement be disfigured by this duplication? The income statement ought to close with a balance that stands for "Net income (or loss)." No question of appropriation ought to be raised until after the surplus is determined.

The accounting problem of the manner in which appropriations by a Board of Directors should be treated seems never to have been raised by railway accountants in this country; at least, it has never received the attention which it deserves. This is due in part to the inclination of accountants to make use of comprehensive, miscellaneous

groups of entries as a substitute for clear cut analysis; in part to the habit of Boards of Directors to declare dividends "out of income" or "out of surplus" without any competent reason for so doing; in part to the apparent inability of the courts to distinguish clearly between net revenues, profits, net income, and accumulated surplus. The Interstate Commerce Commission's system of prescribed accounts reflects this uncertainty of analysis with the result above described.

The remedy for this unnecessary confusion is simple. All entries which stand for appropriations of surplus should be collected in a single statement entitled surplus appropriation accounts. It is this account that should acknowledge as a credit the balance of profit and loss for the current year, and the free surplus carried over from the previous year, from which should be deducted all appropriations made on the authority of the Board of Directors, the remainder being the balance to be carried to the balance sheet of the current year as an unappropriated surplus. Under this treatment, the income statement would close with a "net corporate surplus" of the year; the profit and loss statement would close with the amount of surplus contributed by the current year to the surplus available for appropriation; and the appropriation statement would close with the amount to be carried as an unappropriated surplus to the records of the succeeding year. There are quite a number of unsolved accounting problems for which this simple adjustment supplies the key. Certainly the disposition made by a Board of Directors of the funds placed at its disposal, is of sufficient importance to warrant a separate and specialized statement.

If the criticism on current practice thus implied be

accepted as sound, it is evident that the definition of profit and loss accounts quoted above is too comprehensive. It fails to confine these accounts to the peculiar function that they should serve. The following definition, submitted as a substitute for the one quoted above, is in harmony with a more definite, although a narrower, conception of the transactions to be covered by the accounting statement under consideration. It does not, however, attempt to realize in full the suggestions submitted above. In conformity with the standardized rules of railway accounting, it treats appropriations as profit and loss debits. This is believed to be an unfortunate adjustment. Nevertheless, it is workable, and permits the assembling of all appropriations in a single statement. Moreover, in as much as it begins with the sum of the current income balance and the balance sheet balance of the previous year, it does recognize the fundamental truth that appropriations of surplus must be made out of surplus.

Profit and loss accounts may be defined as those accounts which deal with changes in the current surplus. They cover all correction entries, and all entries of miscellaneous gains or losses which do not pertain to the period covered by the income accounts. According to this definition, the income statement closes with a declaration of the net corporate income arising out of the transactions of the current year. The profit and loss statement, on the other hand, is not confined to the transactions of any specific fiscal period. It covers all entries between the income statement and the general balance sheet, with the single exception of appropriations of surplus. Further comment of the profit and loss accounts will conform to the definition that reflects current practice.

§ 46. Profit and Loss Entries Classified.—The primary accounts of the system of records provided for the use of American railways are as follows:

Debit	*Credit*
Debit balance (at beginning of fiscal period)	Credit balance (at beginning of fiscal period)
Debit balance transferred from income	Credit balance transferred from income
Surplus applied to sinking and other reserve funds	Profit on road and equipment sold
Dividend appropriations of surplus	Delayed income credits
Surplus appropriated for investment in physical property	Unrefundable overcharges
Stock discount extinguished through surplus	Donations
Debt discount extinguished through surplus	Miscellaneous credits
Miscellaneous appropriations of surplus	
Loss on retired road and equipment	
Delayed income debits	
Miscellaneous debits	
Unappropriated surplus carried to Balance Sheet	Deficit carried to Balance Sheet

It will be observed that the above statement begins with a debit or credit balance at the beginning of the fiscal period under review, and closes with a "deficit" or an "unappropriated surplus" to be carried to the balance sheet struck at the close of that period. Outside of these transfer entries, the primary accounts shown in the foregoing lists may be classified under three heads:

Correction Entries. The first class of profit and loss entries covers all entries which have for their purpose the correction of a previously declared surplus or deficit.

An illustration will make this clear. In case freight has been carried and, after a proper audit, the accrued earnings have been credited to operating revenues, it may turn out that the shipper is unable to pay for the service he has received. The surplus, in the meantime, has been declared and the accounts for the year closed, on the assumption that the freight bill will ultimately be paid; should it become evident that the bill is a bad bill and cannot be collected, this amount should be written out of the accounts by a credit to bills receivable and a charge to profit and loss. Entries of this sort, and they cover a wide range of events, have for their sole purpose the correction of an erroneously stated surplus. It goes without saying that, if an error is discovered before the close of the period for which the surplus is declared, the correction should be made through the account that covers the error.

The Interstate Commerce Commission's classification of profit and loss account provides for this class of corrections under the headings "Delayed Income Credits" and "Delayed Income Debits." This seems on the face of it to be a satisfactory adjustment, but much depends upon the meaning given to the word "delayed" as applied to this class of items. In the 1914 issue of the profit and loss accounts, it is distinctly stated that "delayed items are items representing transactions which occurred before the current fiscal period." Even with this apparently explicit rule, however, considerable discretion must be left to the accounting officer for the proper use of these primary accounts. There is another rule which states, in effect, that "over-lapping" items should be carried by the appropriate accounts of the fiscal period to

which they pertain. The discretion thrown on the accountant will be properly exercised, provided the necessity of guarding the integrity of the operating net revenue and the corporate net income, for a definitely prescribed fiscal period, is adequately appreciated. The point to be held in mind is that many transactions take place within the fiscal period which do not pertain to the traffic or financial operations of the period, and such transactions should not be permitted to influence in any way the declaration of a net corporate income for the period under consideration. It is a peculiar service of the profit and loss accounts to carry all correction entries which affect a declared surplus.

Miscellaneous Gains or Losses. The second class of entries in the Profit and Loss statement covers miscellaneous gains or losses for which no provision is made elsewhere in the accounts. Here are included such items as profit and loss on road and equipment sold; gain or loss on the sale of investment securities; gain or loss arising from the sale of minor items of physical property; debits or credits resulting from the adjustments or cancellations of balance sheet accounts; unreleased premiums or unextinguished discounts on funded debt re-acquired before maturity; and other similar items. From the point of view of this class of entries, the profit and loss accounts cover all kinds of adjustment entries which pertain to the property as such, but which are not directly connected with either the operating or the financial transactions of the year under review.

Appropriations of Surplus. The third class of entries covered by the profit and loss statement appears exclusively as debit items and shows the use made by a Board

of Directors of the surplus placed at its disposal. This group of entries is significant because it discloses the current policy of the management. If dividends are denied in order to provide for making improvements, the fact should be recorded. If both dividends and improvements are reduced in order to pile up reserves to be used at some future time, this fact, also, should find expression in the records of surplus appropriations. The character of the appropriations made, as well as the amount appropriated, indicates the purpose and the policy of the management, a fact which supplies an added practical reason for bringing all this class of entries into a single statement.

The ability to furnish readily a correct analysis of the accumulated surplus is the most exacting test of sound accounting. The first step toward such an analysis is taken in connection with the entries under consideration which, according to current practice, appear as deductions from net corporate income or as charges to profit and loss. It is not essential that this practice should be changed, but it is essential, in order to trace final results and to understand the business meaning of this class of entries, to distinguish between two kinds of appropriations.

All appropriation charges group themselves under one or the other of two headings, according as they are charges which stand for the return of profits to the property, or are final entries, like charges to operating expenses or charges to income. Appropriations that represent the return of profits to the property would, of course, appear on the general balance sheet as a part of the accumulated surplus, and the amounts appropriated during any fiscal period would be shown as an increase in the respective headings under which the accumulated surplus is carried.

What remains of the surplus, after the deduction of all appropriations, is carried to the balance sheet under the caption "Profit and loss—Balance." A better expression for this balance, should it fall on the credit side, is found in the definition of profit and loss quoted from the accounts as prescribed by the Interstate Commerce Commission, when it is said that it shows the "unappropriated surplus of the carrier at the date of the balance sheet." The significant point to be noted is that part of the profit and loss charges which stand for appropriations of surplus, appear on the balance sheet as an offset to fixed, fluid, or funded assets, while a part are a final charge in the profit and loss accounts. The former stand for profits returned to the property; the latter, for appropriations to outside interests.

§ 47. **Classifications of Appropriations.**—While correction entries in the profit and loss account, and entries that cover miscellaneous gains or losses to the corporation, may be difficult to handle in special cases, their business meaning and their accounting purpose are easily understood. They need not, therefore, claim further attention at this time. This can not be said, however, of the charges that cover appropriations of surplus. The analysis of this group of charges may be carried a step further.

The standard system of railway accounting makes provision for five kinds of appropriations out of surplus by the Board of Directors, or whoever is in charge of the property as the financial trustee. These are:

Appropriations for extensions to the property.
Appropriations for investment in non-physical assets.
Appropriations for the reduction of capitalization.
Appropriations for hastening the extinction of discounts.
Dividend appropriations.

The management, knowing the amount placed at its disposal, makes provision for these several appropriations according to the relative strength of the demands for each purpose.

(*1*) *Appropriations for Extensions to the Property.* This class of appropriations covers what is commonly known as "Extensions of the property" or "Additions and betterments to the property." The final result of appropriations for this purpose is to be read in the current adjustments of the property accounts. When the money thus appropriated is expended by the engineers, an inventory of the property would show that the physical assets of the corporation had been increased by the amount of cash expended. It should be especially noted, however, that the extensions and improvements covered by appropriation of surplus, do not necessarily cover all of the improvements that may have been made during the fiscal period under consideration. The money used for improvements may have been secured by the sale of long-time securities, or it may be that the extensions and betterments have been paid for out of cash, but with the purpose on the part of the corporation to reimburse the cash box by the subsequent sale of bonds. Failure to distinguish between the nature of a liability resulting from the construction of property out of the proceeds of securities sold, and from construction out of cash that comes from operation, has led to much confusion, not alone in accounting matters but in the discussion of equities as well. In the former case, the offset to the new property is listed on the balance sheet under outstanding securities; in the latter case, it is set up as an appropriation of surplus. The primary account that carries this entry stands, or

should stand, as a permanent balance sheet liability. It measures the amount of past profit returned to the property. It cannot be expunged except by the declaration of a stock dividend, which would require a transfer from this account to the stock account. The propriety of such a transfer raises a delicate problem in equity as between the public and the railway; but, from the accounting point of view, there is no difficulty.

The accounting process by which a free surplus is converted into an appropriated surplus that stands for capital investments, under the standard rules of accounting, is as follows: The first step is the drafting of a program of improvements, and the adoption by the Board of Directors of a resolution that raises a credit in favor of the Engineers equal to the estimated cost of such improvements. This appears as a charge, either to income or to profit and loss, under the primary accounts that carry "income" or "profit and loss" appropriations for investment in physical property. When the engineer spends the money and his vouchers are approved, these appropriations are credited and corresponding charges are made to the property account. Inasmuch, however, as this transaction involves a permanent increase in physical assets, there must be a corresponding increase in permanent liabilities, that is to say,—a true record must be kept of the equities by which the assets are offset on the balance sheet. This is attained by the rule that the amount charged to either of the accounts named, "shall be concurrently credited" to an account on the balance sheet entitled "Additions to property through income or surplus." This is, perhaps, as satisfactory a method of procedure as can be devised, as long as appropriations

out of surplus continue to be mixed up with income and profit and loss entries. It is inconsistent in that it calls for an appropriation from surplus before the surplus has been declared. It is incorrect to the extent that an account devised to carry the equity in "Additions to property" constructed out of profits, is required to carry also the unexpended balance of appropriations for additions to property. This question of the meaning of the surplus, the rules for computing the surplus, and for recording the use of the surplus, ought to be reconsidered by those who are responsible for the standard system of railway accounts.

(2) *Appropriations for Investment in Non-physical Assets.* The purpose of this class of appropriations may be either the solidification or extension of an operating system, or merely the investment of surplus funds which otherwise might remain unproductive. The result of such appropriations are to be found in the records of intangible assets.

Unless some especial adjustment is made on the liability side of the balance sheet, an offset to such a use of money as has been described would be found in the unappropriated surplus. To the extent that the appropriation was for the purchase of securities not required for maintaining the integrity of the operating system, such a result would correctly express the situation; to the extent, however, that the appropriation is expended for the purchase of securities that stand for property brought into the operating system, the investment is as fixed as though the money had been spent in the physical extension of the line. The inclusion of this amount, therefore, in unappropriated surplus shown on the bal-

ance sheet would be incorrect. Further consideration of the point thus raised will be found in the next paragraph.

(*3*) *Appropriations for the Reduction of Capitalization.* The Board of Directors may see fit to use a portion of the accumulated surplus for the extinction of its bonded indebtedness or other outstanding liabilities. This results in either of two accounting adjustments. Should the bond be purchased and cancelled, the business effect would be the transfer of an equity which previously was held by the owners of the bonds now extinguished, to the owners of the stock. The amount of money thus used, although appropriated out of surplus and made a charge to net corporate income or to profit and loss, must still remain as a part of the accumulated surplus. It will not, however, appear as an unappropriated surplus but as a portion of the surplus used for the extinction of funded debt.

A different adjustment would be required if what is known as the sinking fund method is used for the extinction of outstanding obligations. In this case, the amount appropriated would be transferred to the fund and the bonds purchased would not be cancelled but would be carried in the fund. The usual defense for this procedure is that, on account of the market price of various kinds of securities, it may be advantageous to invest the money appropriated for the extinction of outstanding obligations, in the purchase of securities other than the securities issued by the corporation under consideration. In this case, there would be found among the assets a line of securities held as an offset to the uncancelled or outstanding bonds of the corporation concerned. No harm can arise from this method of procedure, provided the

facts are properly recorded in the accounts, although it must be recognized that the balance sheet totals are duplicated to the extent of such transactions.

(*4*) *Appropriations for Hastening the Extinction of Discounts.* The amortization of discounts which regularly accrue on outstanding bonds, is an income charge. This is true because all bonds have a date of maturity, and when they mature the issuing corporation is liable for their repayment at par. It is imperative, therefore, that a reserve be created during the life of the bond equal to the discount suffered at the time of issue; or, what amounts to the same thing, that a proportional amount of the discount be written out each year. Such is the practice of sound accounting, and such is the rule laid down by the Interstate Commerce Commission.

It may be, however, that the Board of Directors desires to extinguish the discount on a special series of bonds prior to the date of maturity. To this extent amortization is a voluntary act on the part of the Board, and should be cared for in the profit and loss accounts. This is the meaning of the primary account "Discount extinguished through surplus."

The extinction of discount on stock issued must find its authority in a resolution of the Board of Directors. Stocks do not mature. They are an evidence of proprietorship and are a liability in an accounting sense only. If the discount on stock issued is to be written out of the accounts, it must be by the voluntary choice of the management. The extinction of stock discount, therefore (assuming such a thing to exist), is a proper item for a charge to the profit and loss accounts.

(*5*) *Dividend Appropriations.* A solvent company will

always endeavor to maintain its dividend payments. This is one means of maintaining credit. The character of the dividend, and the interpretation of the fact that a dividend is paid, varies with the class of stock upon which the dividend is declared. Some so-called dividends are not properly charged to profit and loss, as for example the dividend which accrues upon stock guaranteed. The guarantee makes this payment a payment that accrues on a contract and not an administrative payment. It is, therefore, an income charge and not a profit and loss charge. Such dividends are classed with interest on bonds.

If a dividend that is cumulative remains unpaid, it should be recognized as a liability, and an accounting adjustment made accordingly. A dividend on preferred stock is on the border line between a voluntary and a contractual payment; but inasmuch as it must be voted by the management, it may properly be classed as an appropriation out of surplus, and included in the profit and loss statement. With regard to dividends on common stock, there can be no question. It is entirely at the option of the Board of Directors to declare such a dividend or to use the surplus in other ways.

CHAPTER IX

GENERAL BALANCE SHEET ACCOUNTS

THERE are as many balances in a system of accounts as there are congruous groups of entries, but there is only one general balance sheet. The word "general" properly characterizes this group of accounting statements, first, because it gathers to itself and expresses the result of all accounts and records of the business to which it pertains; and, second, because the items which it records are cumulative from year to year, and the balance which it declares is the final outcome of operating and financial transactions from the beginning of the life of the business to the date on which the general balance sheet balance is struck. The balance sheet statement serves as a key to all accounts; it is an index to the life history of the business.

§ 48. **General Balance Sheet Defined.**—Technically defined, the general balance sheet is a statement which discloses the financial condition of the corporation as of the date on which the accounts are closed. It presents on its debit side the assets, and on its credit side the liabilities, of a corporation, so arranged as to show the accumulated surplus or deficit of the business. As published, or as drawn up for the information of stockholders, the general balance sheet is usually a comparative statement; that is to say, the entries against the general and primary accounts are given for the current and for the previous fiscal period, and thus provide a measure for the increase

or the decrease in the several groups of items summarized. This comparative feature of the general balance sheet is of great practical importance, for it enables one to locate the source or occasion of the final gain or loss disclosed, and in this manner directs attention to the strong and to the weak points of the business.

The significance of a general balance sheet is further indicated by the fact that any general or comprehensive audit of the affairs of a business, may be most easily accomplished by an analysis of the various items carried by this statement. Every balance sheet figure can be traced through other accounts, all of which are adjusted to its requirements, and through these accounts may be checked against the original papers or entries that stand for the transactions recorded. In order to read properly the meaning which lies in the balance sheet statement, one must be familiar with the entire system of accounts of which it is the final expression.

§ 49. The General Accounts.—The general accounts prescribed for the use of American railways, stand for groups of congruous items which appear on the balance sheet statement as primary accounts. For the most part, the titles of these accounts explain themselves, and a consideration of their significance, here, would be but a repetition of many of the accounting rules already considered. This is true because the figures entered against many of these primary accounts are themselves balances of congruous groups of accounting entries. The titles of the general accounts, also, are familiar; but, inasmuch as in some cases they carry specific meanings in railway accounting, their cursory consideration, as preliminary to a study of the primary accounts, will not be out of place.

The following is a list of these general accounts arranged in the form of a balance sheet statement:

FORM OF GENERAL BALANCE SHEET STATEMENT

Debit, or Assets Side	*Credit, or Liability Side*
1. Investments	1. Capital Stock Government Grants Long Term Debt
2. Current Assets	2. Current Liabilities
3. Deferred Assets	3. Deferred Liabilities
4. Unadjusted Debits	4. Unadjusted Credits
	5. Balance—Accumulated Surplus

Each of the general accounts in the foregoing statement stands for a group of congruous transactions, and the first step in understanding the balance sheet is to learn the accounting significance, or the business, meaning of each group.

Investments represent, for the most part, fixed assets. They cover physical property created or purchased by the funds placed at the disposal of the corporation, as also investments in non-physical property, whether such investments are for the purpose of creating an operating system, or of such a nature that they can be sold without impairing the integrity of the property as a business unit. The chief item under investments is the construction cost as reported by the engineers in charge of construction.

Current Assets stand for cash on hand or for material on hand or claims on debtors that will be converted into money in the ordinary course of business transactions. It is sometimes said that cash assets are quick assets, and this may be true in the sense that the evidences of debts due the company might be used as security

for raising temporary loans. As a matter of fact, however, this is seldom, if ever, done. The hypothecation of current assets for temporary loans would be a publication of near bankruptcy. Some of the items covered by current assets may be immediately convertible into cash; but, as an accounting conception, it is preferable to define them as assets that will be realized as a result of ordinary business procedure. The great mass of them will be paid within thirty, sixty, and ninety days from the date of their origin.

Deferred Assets, in the prescribed system of railway accounts, are given a technical meaning. They represent appropriations for future expenses. Working reserves against which future expenses are to be charged are an illustration. The unexpended balance of such reserves is carried on the balance sheet as a deferred asset.

Unadjusted Debits, from one point of view, are the same as deferred assets. Their peculiar characteristic is disclosed when it is recognized that they perform the service of suspense accounts or clearing accounts. Here are included rents or taxes paid in advance, the balance of property abandoned not yet written out of the accounts, and other similar items.

"*Capital Liabilities*" is a phrase quite generally used to cover the first group of items on the liability side of the balance sheet. It stands for the credit raised by the investors in favor of the trustees selected for the management of the property, and is represented on the balance sheet prescribed for the use of American railways by "Capital stock," "Government grants," and "Long term debt."

In the case of government owned railways, government

advances for the construction or purchase of the property would be included under this heading. The figure which appears on the general balance sheet against capital liabilities measures the relative claims of the several classes of proprietory investors in the property to which the corporation holds title.

Current Liabilities represent the obligations incurred by the active business which, it is assumed, will be worked out during the ordinary course of business transactions. Short time notes that have accrued but have not yet matured, or bills that have been audited but not yet paid, and other similar liabilities, are entered on the balance sheet under this general head.

Deferred Liabilities, like deferred assets, are confined by the prescribed system of accounts to transactions within the corporation. A provident fund created in the interest of employees for which the corporation is responsible is an illustration of a deferred liability. The liability is deferred until, by virtue of accident or sickness, or old age, the corporation will be called upon to make payment to the employees. The recognition of the liability, meanwhile, prevents the dissipation, in dividends or other similar expenditures, of the assets out of which the liability is to be paid when it matures.

Unadjusted Credits, like unadjusted debits, represent accounts which, for any reason, are not or can not be closed. The figure returned on the balance sheet under this heading, the sum of the balances of the several accounts as of the date on which the balance sheet is closed.

Corporate Surplus represents the accumulated profits of the business from the inception of the business enterprise under consideration. A portion of this surplus may have

gone back into the property through appropriations of previous years for additions and betterments, sinking funds, and the like; the remainder measures (or under perfect accounting should measure) the free or unappropriated surplus subject to future appropriations. The total "corporate surplus" covers both the appropriated and the unappropriated surplus as disclosed by the balance sheet statement, and must be recognized as the most significant single figure carried by any of the classifications or statements which make up the system of accounts.

§ **50. The Balance Sheet Statement.**—The form of balance sheet statement submitted above shows the balance on the credit side of the account. This means that the statement is drawn on the assumption that the business under consideration has been profitable. Had the final result of the business been a loss, this balance would have appeared on the debit side of the statement. In either case, however, the figure set down as the balance must be taken in connection with the capital stock, if it is desired to measure the value of the proprietory interest in the assets. This is true because the equity in the surplus lies with the stockholders. The holders of the bonds have no such equity, at least no direct equity, nor, as the law stands at the present time, can it be said that the government or the public has an equity in the accumulated surplus. The public may have an interest in this surplus which the directors are not at liberty to disregard, but this falls short of what the law recognizes as an equity in the property. The accumulated surplus partakes of the nature of an undivided profit.

It is perhaps superfluous to explain to the readers of this treatise why assets are on the debit side and liabilities

on the credit side of the balance sheet. Since, however, this is sometimes perplexing to those who have not handled accounts, a word of explanation may be acceptable.

Every system of accounts stands for an active business. Its purpose is to arrive at an accurate measure of the gain or loss incurred by the business. Even in the case of a privately owned business, the man who owns it desires to know whether it is a profitable or an unprofitable undertaking. In order to find this out, it is necessary that he place a certain amount of his money at the disposal of the business, and that he require accounts to be kept for the business as though it were an independent industrial unit.

In the case of railway accounting, this point of approach is easily understood, because railways are recognized as corporations, and a corporation is a legal personality. Railway accounts, therefore, are corporation accounts and not accounts of the stockholders. A corporation holds the title to the property, but back of this property stand the stockholders and the bondholders who have furnished the funds. The corporation acknowledges the liability incurred to the stockholders and the bondholders for the moneys placed at its disposal, and in so doing acknowledges that the purchasers of securities have placed a fund of money to the credit of the corporation. They have the right to expect that the business will acknowledge this credit, and return the investment in case the business is wound up.

The same reasoning applies to current liabilities, deferred liabilities, or unadjusted credits. Current liabilities, for example, mean that the corporation has become possessed of property for which it has not made payment, or that it has received money from some outside agency

which eventually must be turned over, but which, until settlement is made, appears somewhere in the list of current assets. These outside parties have placed material or money to the credit of the corporation which the corporation recognizes by writing them on its balance sheet as a liability.

This analysis is presented in another way when it is recognized that the Board of Directors of a corporation are the trustees of the funds placed in their hands. These trustees, who as persons represent the corporation, acknowledge the moneys placed to their credit through the sale of stocks and bonds, and this they do by writing up the par value of the securities as a liability of the corporation. In this manner, the business assumes the duty of making these securities good. The liabilities thus accepted by the corporation, are an accounting measurement of the credits raised in favor of the trustees.

On the other hand, as an accounting offset to the credits raised, the trustees set up in the accounts a charge to the property, the balance of which at any time measures the assets of the business, that is to say, of the corporation as a legal personality. A business is charged with its assets and credited with its liabilities.

By referring to the above form of the general balance sheet statement, it will be observed that each general account on the assets side is offset by a corresponding group of entries on the liability side. Against investments are to be found securities sold by the corporation; against current assets are to be found current liabilities; against deferred assets are to be found deferred liabilities; and against unadjusted debits are to be found unadjusted credits. This arrangement seems to imply that a balance

might be struck for each group of primary accounts gathered together under these general headings. Speaking broadly, this may be done, and it should be the aim of the accountant to so define and classify original entries that this may be done with a fair degree of accuracy. But in so complicated a business as that carried on by American railways, it would not be safe to assume that these intermediate balances are worthy of unlimited confidence. It is necessary to examine the primary accounts, and possibly the entries from which these primary accounts are constructed, before arriving at the final interpretation of intermediate balances.

§ **51. Analysis of Investments.**—The titles of the primary accounts, together with their definitions, will be found in Appendix C. Three classes of assets are carried under the general title "Investments." These are physical property, funds held in trust as offsets to liabilities outstanding, and investments in securities. Each of these three classes will be considered.

Physical Property. The figures on the balance sheet that together measure the amount invested in physical property, are covered by the three primary accounts "Investment in road and equipment," "Improvements on leased railway property," and "Miscellaneous physical property." The first is taken from the construction accounts, understanding by that phrase both original construction and additions and betterments made subsequent to the transfer of the property for purposes of operation. These figures stand for the cost of the property to date, and not for its present value. The present value of the property, at any particular time, may be less than its cost, because of the depreciation which it may have

suffered since the investment was made; or it may be more, on account of appreciation. Such appreciation in this country, however, is no part of current accounting and it may, for that reason, be set aside. In case adequate depreciation reserves have been maintained by current charges to operating expenses, the unexpended balances of such reserves will appear on the balance sheet and will indicate the amount that must be deducted from the cost of the property in order to arrive at its present book value.

It is the practice of some accountants to reduce the cost of property carried on the balance sheet by the depreciation which has accrued, rather than to maintain the balance sheet statement of cost at its original figure on the assets side of the account, and carry the depreciation as a reserve on the liability side of the account. The chief objection to this method of treatment is that it results in the insertion of a figure which assumes to measure an "investment" that cannot be checked against capital expenditures. Another objection is found in the fact that, according to this method of treatment, the accounts fail to record the responsibility of the revenues to restore to the property such assets as have been dissipated, no matter what the cause of such dissipation may be. There is considerable danger that the management of a property will fail to hold in mind an outstanding liability that finds no place among the liabilities listed on the general balance sheet.

Many railways invest in physical property which is either entirely distinct from transportation property, or is connected with it only in an indirect way. For example, a railway corporation may own mines, mineral and timber

lands, commercial plants, sawmills, and other manufacturing plants. If these are carried as independent investments and operated for the purpose of profit, the inclusion of their capital in the railway balance sheet is improper. In such cases, there ought to be a separation of the capital, and an independent set of accounts ought to be raised for such commercial enterprises. If, however, this can not be done, the balance sheet should provide for a separate statement for this class of property. Should the operation of a commercial enterprise be incidental to the rendering of a transportation service as, for example, the manufacture of ice for refrigeration, or the maintenance of hotels for the development of passenger traffic, the investment may be regarded as primarily for transportation purposes. It is not always easy to draw a line between an investment in physical property which does and one which does not render a transportation service. The principles which should guide in distinguishing between these two classes of investments were considered in connection with incidental revenues.

Improvements on leased property, like improvements on property which the lessee corporation owns, stand for physical property, but such is their contractual character that they are given a separate primary account on the balance sheet. In order to understand this item, it is necessary to call to mind what has already been said relative to railway system building. A railway corporation as an operating system, makes use of a great deal of property to which it does not have title, but which it controls through incomplete mergers, ownership of stock, or current leases. After the execution of a long time lease, the lessor proprietors are no longer interested in the improvement

of the property; for the lessee, on the other hand, it is an operating necessity that improvements, extensions, additions and betterments should be made on this property, as well as on the property to which it has title. In case the lease provides that, at its expiration, the lessee company has an equity in the improvements made on the property of the lessor, the accumulation of the cost of the improvement in a separate primary account is undoubtedly correct; for at the expiration of the lease, the lessor company would be obliged to compensate the lessee company for such improvements as had been made.

There are many cases, however, in which the lease makes no mention of compensation for improvements on the property of the lessor, and it is doubtful if the courts, inclined as they are to the strict interpretation of contracts, would recognize that the lessee had an equity in such investments; but this is no reason why a separate primary account should not be kept. In case of foreclosure, or of appraisal at the termination of the lease, it is essential that each property be charged with the improvements made for its benefit. The cost of improvements must be localized in order to keep clear the equities that pertain to the several parties concerned, and the records should be so kept as to make this possible.

Funds held under Trust. These are of two kinds,—sinking funds and trust deposits. The time has passed when provision for a sinking fund in the writing of bonds for responsible corporations tends to raise the price of such bonds. On the contrary, the investor prefers bonds for which there is no plan of repayment, provided they are good bonds. Nor has the corporation any motive to expunge a debt that is funded on reasonable terms, except

it be to raise the price of stocks. From the standpoint of the public, also, sinking funds are of no particular significance. So-called sinking fund appropriations that rest upon the will of the management have no binding character, and might as well not exist. If, however, sinking funds have been established, they certainly stand for an investment of the corporate surplus, and are properly classified as an investment asset.

Trust deposits are not exposed to the same criticism, provided they rest upon contractual agreements, and provided further that some outside party is interested in the contract. Under such conditions, it is probable that the asset which they represent will prove to be a stable asset. If, however, there is any uncertainty in the contract, or if the terms of the contract are such as to lead easily to misunderstanding, trust deposits are quite likely to be abused. It is very difficult for a management hard pressed to meet expenses, to keep its hands off this class of funds, even though their use may mean the reversal of a previously established policy. To make use of these funds for a purpose not contemplated by their creation must tend to depress the credit of the corporation. However, if deposit funds of this sort exist, they are properly classed as an investment asset.

Security Investments. Most active American railways represent large financial interests, in addition to their interest in the property to which they have direct title. This is the result, primarily, of the manner in which independent railway properties have been organized into large and comprehensive systems of operating railways. These systems have been built by the merger of two or more properties, by long term leases whereby the prop-

erty of one corporation is handed over to another corporation for the purpose of operation, and through the ownership by one corporation of a majority of the stock of another corporation. Without entering into even a cursory study of system building, it is evident that the intercorporate holding of railway securities falls under one or the other of two heads: first, of those securities which are held for the purpose of perpetuating the integrity of an operating system; and, second, of those securities acquired for investment. In either case, the securities concerned represent an investment and should appear on the balance sheet as an investment asset; but it is important to distinguish between those acquired for the purpose of building up an operating system, and those acquired for the interest or dividend which they bear. The former are not quick assets. They cannot be sold to meet an emergency. A corporation hard pressed might as well dispose of its locomotives, or its bridges, as to dispose of such securities. In the same way that the sale of physical property used for transportation purposes would bring the normal operations of a railway speedily to a close, so the sale of the securities of a subsidiary corporation, whose physical property is a part of an operating system, would tend to disintegrate the system.

Stocks held for investment, however, are quick assets, and may be recognized as a partial offset to the free or unappropriated surplus. In any case, the accountant should draw a line between these two classes of security assets, and enter them separately on his balance sheet statement. While both are assets, and both are assets in the form of securities, their function, or what may be termed their financial significance, is entirely different.

It is doubtless for this reason that the form of the general balance sheet statement provided for the use of American railways, distinguishes between investments of "affiliated companies" and "other investments." In both cases, the sub-primary entries are stocks, bonds, notes, and advances.

§ 52. **Analysis of Capital Liabilities.**—The offset to investments which appears on the debit side of the balance sheet is capital liabilities, or, to use the phraseology of the prescribed system of accounts, stocks, government grants, and long term debts. This means that all funds assigned for investment, exclusive of profits returned to the property, arise either from the sale of stocks, from government grants, or from the sale of long term debts. The standard balance sheet makes a group of this class of liabilities which covers primary accounts 751 to 757 inclusive, as shown on page 430 of Appendix C.

It is not necessary to consider the various kinds of stocks that have been, or may be, issued by railway corporations, nor to explain that stocks, although standing for proprietorship, are an accounting liability, whereas bonds are both an accounting and a legal liability. A knowledge of these fundamental facts may be assumed.

All book entries of stocks and bonds are made at their par value. The propriety of this is found in the fact that the par or face value of securities measures the liability which the corporation has assumed in the issue of stocks or bonds. The entry of securities at their par value, however, raises an accounting question, whenever the original sale of securities was made either at a premium or at a discount. The price of issue, and not the par value,

determines the amount of cash collected from their sale for investment. If, now, the liability is set up as the par of the security, there may be a discrepancy between the true liability and the true asset. The accounting question thus raised is met by providing a separate primary account in which to carry "premium on stock sold," and by providing further that discounts should be carried on the balance sheet under the general heading of "unadjusted debits" until such time as they are written out of the accounts. It is possible, therefore, for one who desires to compare the cost of property with the proceeds of securities sold in order to provide funds for meeting that cost, to find, on the balance sheet statement (and in the analysis of supporting accounts), all the facts required for this purpose.

Another difficulty arises in making balance sheet entries for securities. Securities formally issued may be held in the treasury subject to sale, or, if sold, may be repurchased for sinking funds or other kinds of investments. To meet this difficulty, the accounting rules prescribed for the use of American railways requires that both figures appear on the balance sheet statement, but that the figure used in arriving at the final balance should be the difference between the securities "nominally outstanding" and those which are held by or for the corporation under consideration at the date on which the balance sheet is struck. This is the meaning of the "short" and "long" entries for which the balance sheet statement makes provision. By means of this device, the liabilities actually outstanding at the date of the statement are disclosed.

Yet another point must be held in mind. Many of the securities issued and listed as outstanding are not issued

against physical property, but against other securities owned. This means that two kinds of securities, or it may be three or four, lie against the same physical property. So far as the balance sheet statement of any particular corporation is concerned, this fact of duplicate securities is of relatively slight importance; but for one who endeavors to construct a consolidated balance sheet of the railways of the country as a whole, it is necessary to eliminate all duplications resulting from intercorporate ownership of railway securities. The Interstate Commerce Commission has been at great pains to require reports of such a character as to permit the elimination of this duplication. In reading the balance sheet statement of an individual corporation, it is necessary to know the details of these collateral issues.

§ 53. Current Assets and Current Liabilities.—The standard form of general balance sheet statement, covers "current assets" in primary accounts 708 to 719; and "current liabilities" in primary accounts 758 to 768, both inclusive. The titles to these accounts as also their descriptive text may be found in Appendix "C."

1. The Question of Offsets. Current assets can not be regarded as an offset against current liabilities, and for that reason their net balance carries no very significant meaning. Only in the case of a few accounts is there even an apparent connection. Loans and bills receivable seem to indicate that moneys are coming in with which to meet loans and bills payable, and in a rough and indefinite sort of a way this may be true. An examination of details, however, would show that there is no connection between the transactions that lie back of the two accounts. The same may be said of "Traffic and car-service balances"

receivable and payable, and "Miscellaneous accounts" receivable and payable. From the phraseology used it is natural to assume that some certain or definite business relation existed between them, and that, judging of the financial condition of a business, the one could be used as an offset against the other. But one is not at liberty to treat a debit balance of any sort as cash in hand or as a quick asset. What one owes must be paid; what one enters on his books as receivable may never be paid. Such, at least, is the assumption of a business that expects to continue.

An examination of the titles of the other accounts fails to suggest any relation between the debit and credit entries recorded under current assets and current liabilities. This comment is pertinent in view of the loose and frequently improper use made of the operating balances grouped together on the general balance sheet as current accounts.

2. The Period Covered. It is a practical necessity that some time limit be assigned for current assets and current liabilities; for without an arbitrary rule stating how long an item may continue to be classed as a current item, this group of accounts will tend to lose its business significance. With regard to "loans and bills," such a rule is laid down in the prescribed system of accounts. Obligations which mature more than a year from the date of their issue, are excluded from current accounts. In practice, this rule is not unfrequently extended to cover all the primary accounts of this group, with the exception of "Materials and supplies." A healthy minded accountant will instinctively clear out of current assets and current liabilities any items of more than twelve months' standing. It

is certainly bad business procedure to permit transactions which pertain to two or three years past, to be mixed up with current transactions. Large suspense accounts are the occasion of a just suspicion, even though they are properly classified on the balance sheet; but a suspense item in the records devised for current business is indefensible.

3. Materials and Supplies. Under this heading will be found the balance of the stores accounts on the date of the balance sheet statement. This set of account is usually kept separate from the other accounts, and is under the immediate direction of an officer known as the "storekeeper." In view of the large amounts of supplies used by operating railways, it may be found advantageous to buy materials in large quantities. The storekeeper is charged with such purchases as are turned over to him, and he takes credit when they are issued to any department of the railway service authorized to make requisition for supplies. The store keeper's books should show, day by day, the amount of materials and supplies on hand. It is this balance that is transferred to the balance sheet under the primary account "Material and Supplies."

The figure entered against this account is similar to other current assets in that it stands for transactions on their way towards cash. Although the materials and supplies on hand may be of such a character that they can be sold, from an operating point of view they are not capable of sale. The coal on hand, for example, was bought for the purpose of burning in the locomotives in order to earn revenue by the transportation of passengers and freight. Its conversion into cash is through the proc-

ess of operation. The same is true of bolts for the shops, paint for bridges, parts for the repair of cars and locomotives, and all other materials charged to the storekeeper. It is in this sense that materials and supplies are current assets, but it should never be forgotten that they are convertable into cash only through the sale of traffic.

One can not apply the twelve months' rule to this class of current assets. It should, of course, be the purpose of the purchasing agent to make purchases of materials and supplies in such quantities, and at such times, as to tie up the least possible amount of cash; but in view of threatened possible fluctuations of the market, conditions may arise which would justify a cash investment in certain kinds of materials which could not be worked out within a twelve months' period. The administration of the storekeeper's department is subject to business rules that pertain to no other department of the railway service. The fact that the balance of the stores accounts, when transferred to the balance sheet as a current asset, covers materials carried in stock for two or three years, is not in itself a criticism of the purchasing agent. It is important, however, and it is the practice of well administered railways, to make frequent inventories of the materials and supplies on hand, with the view of eliminating from this account the material that for any reason is worthless, and for the purpose of adjusting the storekeeper's balance to the current value of the stock actually on hand. An overstatement of materials and supplies results in an overstatement of the free surplus.

4. Current Liability Accounts. It is essential that any statement that aims to disclose the financial standing of a business at a given date must acknowledge, not only all

outstanding liabilities which have matured, but also the size to which accruing liabilities have grown. Interest, for example, if payable semi-annually, may not be due until thirty days after the date of the balance sheet statement, but it constitutes a liability equal to five-sixths of the amount which must ultimately be paid. The primary account "Unmatured interest accrued" carries this liability. The same is true of "Unmatured dividends declared," provided such dividends are not to be paid until after the first day after the date on which the balance sheet is closed.

Under current liabilities are also included, interest, dividends, and funded debts which have matured, but which for any reason remain unpaid at the date of the balance sheet statement. The balance sheet statement must recognize all liabilities of every kind and sort in order to avoid an overstatement of the surplus.

§ 54. Items Classed as "Deferred" and "Unadjusted."—The form of balance sheet used by American railways provides for two sets of general accounts, called respectively deferred assets and deferred liabilities, and unadjusted credits and unadjusted debits. The text pertaining to these accounts may be found in Appendix C.

It is a little difficult to understand why "deferred assets" should be distinguished from "unadjusted debits," and that a similar distinction should be made on the credit side of the balance sheet. The most that can be said for this analysis is that it enables the separation of contracts and operating adjustments that pertain to different interests of the same corporation, from contracts and operating adjustments between the corporation and outside interests. If this be all, the distinction is secured

at too great a price. It perverts the use of commonly accepted accounting terminology. Accounting rules which necessitate the classification of insurance premiums paid in advance, for example, as an unadjusted debit rather than as a deferred asset, are certainly unfortunate. Inasmuch, however, as the more significant of the primary accounts of which the prescribed balance sheet makes use are grouped under the titles "Unadjusted Debits," and "Unadjusted Credits," these titles will be used in the comments that follow.

Unadjusted Debits. Unadjusted debits cover four classes of entries:

1. Payments made in advance of their maturity stand for an unadjusted debit, or, to use a phrase which will be accepted by many as more accurate, a deferred asset. The pre-payment of an insurance premium, for example, when property is insured for three or five years, would be carried under unadjusted debits. By such a transaction, an available asset, such as cash, has been depleted for the purpose of making a payment that will not work itself out for three or five years. Inasmuch as one purpose of the balance sheet is to show the amount of the accumulated surplus for a definite financial period, it is essential that each of the three or five years covered by the insurance payment should be made to bear its proper proportion of this amount. An entry of this sort on the balance sheet shows that the corporation is ahead on its expenditures just that much.

2. The issue of securities at a discount is a transaction of the same sort, although in this case it is a question of credit rather than cash that is involved. A bond, for example, which sells for eighty, is entered on the credit

side of the balance sheet at its face value. The property investment as a balance sheet offset to this credit can be but 80% of the par value of the security. This means that a deficit appears on the debit side of the balance sheet. As a means of obviating such a statement, the management of the corporation recognizes the source of this deficit and, acknowledging the necessity of ultimately bringing the property investment up to the par value of the securities, enters the discount as an unadjusted debit item, to be written out of the accounts during the life of the bond. In a sense, therefore, this unadjusted item of discount on securities sold, is a recognition that the expansion of investments to the par value of securities issued is a claim prior to the claim of the stockholders for dividends. The spreading of this claim over a series of years is for the convenience of administration, and should not blur the fact that, according to strict rules of accounting, the management is under the necessity of placing 100% of property back of 100% of securities. Meanwhile, the balance of unextinguished discounts on securities is carried on the balance sheet as an unadjusted debit item.

3. The third class of unadjusted debits pertains to property abandoned when the abandonment is of such sort, and under such conditions, as to require that it be written out of the accounts by charges to operating expenses. The situation referred to has been sufficiently explained in connection with the analysis of additions and betterments. The reasoning is in general the same as that already applied to discounts on securities. The property account, at one time, stood charged with a definite piece of property which, because of necessary changes, is no longer used in the service of transportation. This

property, which at first stood back of securities, is now abandoned, and, except to the amount of salvage involved, offers no value for the support of securities. This dissipated value must be restored, and, until it is restored, is properly carried on the balance sheet as an unadjusted debit.

4. The fourth item of unadjusted debits pertains to securities issued or assumed, held in the treasury of the corporation or by its agents and trustees, whether pledged as collateral in the issue of new securities or unpledged.

Unadjusted Credits. The discussion of unadjusted credits comes to be largely a discussion of reserves. Reserves are of three kinds,—insurance and casualty reserves, operating reserves, and depreciation reserves.

1. The property of operating railways, as also their current revenues, is exposed to many casualties, for which a sound business management will make adequate preparation. This means that railways are obliged to pay for many kinds of insurance, such as fire, fidelity, boilers, casualties, burglaries, and other risks to which the property and surplus of a railway corporation are exposed. For small properties, it is usually cheaper to provide against these risks by payments of premiums to regularly organized insurance companies; but in the case of large companies and great industries, it is frequently more economical to carry self-insurance.

This may be done by waiting until the casualty occurs, and then charging the loss which it occasions directly to operating expenses. Such a procedure, however, would not attain the result desired when regarded as a payment for insurance. Experience shows that fires, explosions, accidents, and other casualties do not occur with sufficient regularity and frequency, either to spread the loss which

they occasion equally between the revenues of successive financial periods, or between the different kinds of property or services which should be held liable for making good a particular loss. Such being the case, large railway corporations not unfrequently adopt the practice of setting up insurance reserves. These reserves are created by charges to operating expenses or by appropriations from income or surplus; but, however created, this reserve is made chargeable with all accident or casualty losses whenever such losses occur. The primary account in the balance sheet entitled "Insurance and casualty reserves" is provided to carry the balance in such reserves on the date of the balance sheet statement. It is always intended that this balance should be a credit balance, and for that reason no account is provided for a corresponding debit balance. Should it happen that the fiscal period closes with a debit balance in the insurance account, it could still be carried by the account under consideration, but as a minus credit. Insurance and casualty reserves are properly listed under unadjusted credits.

2. Operating reserves are the same in character as insurance reserves. They are created by charges to operating expenses for certain classes of maintenance expenses, for personal injuries, for payment of loss and damage claims, and for other similar purposes. Charges designed to raise reserves of this class are made regularly, from week to week or from month to month, the purpose being to equalize the burden of payments as between the several periods recognized by the accounts.

Operating reserves should never show a large credit balance at the close of a fiscal period. Such a balance would indicate that the charges to operating expenses

for the purpose of creating such reserves had been excessive, and, consequently, that the current statement of net revenues from operations had been understated. This is an illustration of the necessity of looking beyond net revenues to the balance sheet entries, in order to determine whether or not current net revenues have been properly stated.

3. Depreciation Reserves. Depreciation reserves are created by current maintenance charges to operating expenses. They are a charge for maintenance over and above charges made for current repairs. It measures, provided the accounts are accurately kept, the dissipation of assets which can only be restored at the time of the replacement of the units of the property which, in the course of operation, are retired. A large and constantly increasing balance in these accounts would indicate that the rate of depreciation charged in previous years had been too high. In applying this rule, also, it should be held in mind that railway property may be operated at the maximum of safety and efficiency on about 80% of its original cost. This point has already been considered in the discussion of operating expenses. The point of present importance is, that the current balance in the depreciation accounts might stand permanently at 20% of the original cost of the property, without proving that previous charges for depreciation had been too high. As already observed, the difference between the balance in these depreciation accounts recorded on the balance sheet, and the charges to the property accounts for the same class of property, will disclose the depreciated value of the property as used in the service of transportation.

§ **55. The Corporate Surplus.**—The final test of a well constructed and a well administered accounting

system, is found in the ease and certainty with which a corporate surplus may be determined and analyzed. This figure is cumulative from year to year. It stands for the aggregate undivided profit which accrues to the business from its inception to the date of the balance sheet.

In the first place, it should be recognized that a surplus does not necessarily mean cash on hand, or the holding of quick or convertible assets. The surplus, or rather the asset that stands for the surplus, must, at some time in the history of the property, have passed through the cash account; but to the extent that cash has been used for the betterment of the business, or for the execution of an agreement with itself, it may be said to exist as a corporation investment in the property. This being the case, the first step in the analysis of an accumulated surplus must be to separate convertible from inconvertible assets, so far as they are an offset to the surplus; or, to express this in another way, to separate the accumulated surplus into appropriated and unappropriated surplus.

Provision for this separation is made in the standard balance sheet by means of six primary accounts under the general account "Corporate Surplus." The balance sheet statement stands as follows:

CORPORATE SURPLUS

779. Additions to property through income and surplus.
780. Funded debt retired.
781. Sinking fund reserves.
782. Miscellaneous fund reserves.
783. Appropriated surplus not specially invested.
Total appropriated surplus.
784. Profit and loss—Balance.
Total corporate surplus.

Primary accounts 779 and 780 stand for the amount of betterments to the property through the use made from year to year of the current surplus. The first named has to do with physical betterments, and the last to financial betterments. These are in no sense contractual appropriations. The Board of Directors, had it so chosen, might have distributed the surplus as a dividend to the stockholders, in which case it would have been necessary to sell new stock or issue new bonds to secure the funds for making the improvements. The fact of accounting significance is that the assets, whether physical or financial, for which the balance in these two accounts stands, may be traced through charges to income, made concurrently with credits to these accounts. In the case of additions to property, for example, primary account 779, the corresponding charges will be found in primary accounts 554 or 615. It thus becomes clear that the meaning of the appropriated surplus is to be found in the assets by which it is offset, and that the character of the assets is to be read from the charges to income or profit and loss made at the time the assets were created. Those assets which stand against the appropriated surplus may be as fixed, and as incapable of conversion into current funds, as those which stand back of capital liabilities in the form of stocks or bonds.

Sinking fund reserves call for no special explanation. They cover all credits for appropriations of this class, whether held in general funds or specially set aside in the hands of trustees. Credits for this purpose are made concurrently with the changes that follow the appropriation of accruals in favor of the fund. The point is, that for the analysis of this balance, one must turn to the cor-

responding debit entries to be found in the income account.

The last two of the accounts that together cover the appropriated surplus, pertain to miscellaneous transactions. The distinction between them is, that the second of these primary accounts covers credits "for which no specific investment or segregation of assets has been made." To the amount of the balance that at any time stands to the credit of this account, it is recognized that the corporation has assets that cannot readily be identified. The appropriated surplus is in excess of the surplus that can be readily traced. They are "somewhere in the property," but are of such a sort that they are not available for dividends. It may perhaps be necessary to make provision for transactions of this sort; but, if so, the amount carried should be as small as possible. A large amount of assets that can not be segregated through the record of the growth of the accumulated surplus, like large suspense accounts extending over long periods, raises the suspicion of slipshod accounting.

That portion of the accumulated surplus not covered by appropriations must be balanced by quick assets or by cash. If, upon examination, it is found that this is not the case, the ability of the accountant may properly be called in question.

The railway accountant has not always been held responsible for an analysis of the surplus. Not many years ago, it was the common practice of American railways to charge additions and betterments, and similar improvements, to operating expenses. The result of such incomplete entries was to create a secret reserve; that is to say, an asset would be created, built out of current

profits, for which the business failed to take credit. This practice was changed by the revision of the accounts in 1907 and 1908. With that change the analysis of the surplus forced itself on the attention of railway accountants. The situation has been greatly improved, but much remains yet to be done before one can gain from the records the correct meaning of the accumulated surplus.

APPENDIX A

CLASSIFICATION OF INVESTMENT IN ROAD AND EQUIPMENT. ISSUE OF 1914

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GENERAL INSTRUCTIONS

The carrier's records shall be kept with sufficient particularity to show fully the facts pertaining to all entries made in the accounts provided herein for investment in road and equipment. Where the full information is not recorded in the general books, the entries therein shall be supported by other records in which the full details shall be shown. Such general book entries shall contain sufficient reference to the detail records to permit ready identification, and the detail records shall be filed in such

manner as to be readily accessible for examination by representatives of the Interstate Commerce Commission.

1. Accounts for Investment in Road and Equipment.—The accounts prescribed in this classification are designed to show the investment of the carrier in property devoted to transportation service. The carrier's investment in physical property other than transportation property is provided for in balance-sheet account No. 705, "Miscellaneous physical property." *The carrier* means the accounting carrier, except when otherwise specifically indicated. The carrier's records shall be kept in such form that expenditures for additions and betterments may be reported separately from those for original road, original equipment, and road extensions, and shall show separately the expenditures under each authorized addition and betterment project. (See balance-sheet account No. 701, "Investment in road and equipment," and No. 702, "Improvements on leased railway property.")

2. Items to be Charged.—To these accounts shall be charged the cost of original road, original equipment, road extensions, additions, and betterments; also the estimated values at time of acquisition of right of way and other road and equipment property donated to the carrier, except that unless authorized by the Commission no charges shall be made to these accounts after July 1, 1914, for donations received previously to that date. Applications to the Commission for including such items in the road and equipment accounts shall contain full information concerning the source and character of the donations.

If the total cost of additions and betterments to any class of equipment, or any class of fixed improvements (except tracks), under a general plan, considered as a whole, is less than $200, the option may be exercised of charging the amount expended to the appropriate account in Operating Expenses. This rule is not to be construed as authorizing the parceling of expenditures in order to bring them within this limit.

Construction includes all processes connected with the acquisition and construction of original road and equipment, road extensions, additions, and betterments.

Original road means the land and fixed improvements provided and arranged for in the original plan for the construction of a new road. When the acquisition of any such fixed improvements under the original plan is deferred, such improvements, when acquired, shall be considered as additions. Original road shall not be construed to include fixed improvements which under the original plans for the road, it is proposed to substitute at some time subsequent to the beginning of commercial operations for the improvements originally installed and used for transportation operations, such as steel bridges substituted for trestles.

Original equipment means equipment provided and arranged for under the original plan for the construction of a new road. When the acquisition of such equipment under the original plan is deferred, such equipment, when acquired, shall be considered as additions.

Road extensions mean the land and fixed improvements provided and arranged for in the original plan for the construction of extensions of existing main lines, additional branch lines, and extensions of existing branch lines. When the acquisition of any such fixed improvements under the original plan is deferred, such improvements, when acquired, shall be treated as additions. Road extensions shall not be construed to include fixed improvements which under the original plans for the extensions it is proposed to substitute, at some time subsequent to the beginning of commercial operations, for the improvements originally installed and used for transportation in connection with commercial operations, such as steel bridges substituted for trestles.

Equipment means the rolling stock, boats, highway vehicles, horses, and harness devoted to transportation service, the cost of which is includible in the equipment accounts.

Fixed improvements means structures which are fixed as to location, such as tunnels, bridges, buildings, earthworks, etc.

Additions are additional facilities, such as additional equipment, tracks (including timber and mine tracks), buildings, bridges, and other structures; additions to such facilities, such as extensions to tracks, buildings, and other structures; additional ties laid in existing tracks; and additional devices applied

to facilities, such as air brakes applied to cars not previously thus equipped. When property, such as a section of road, track, unit of equipment, shop or power plant machine, building, or other structure, is retired from service and replaced with property of like purpose, the newly acquired property shall, for the purpose of this classification, be considered as an addition, and the cost thereof accounted for accordingly. (See section 7.) If, however, the property retired and replaced is of minor importance, such as a small roadway building or other structure, and is replaced in kind without betterment, the cost of the replacement shall be charged to Operating Expenses, and no adjustment made in the road and equipment accounts.

Betterments are improvements of existing facilities through the substitution of superior parts for inferior parts retired, such as the substitution of steel-tired wheels for cast wheels under equipment, the application of heavier rail in tracks, and the strengthening of bridges by the substitution of heavier members. The cost chargeable to the accounts of this classification is the excess cost of new parts over the cost at current prices of new parts of the kind retired. (See section 12.)

Costs shall be actual money costs to the carrier. Where a portion of the funds expended by the carrier has been obtained through donations by States, municipalities, individuals, or others, no deductions on account of such donations shall be made in stating the costs. Contributions for joint expenditures should not be considered as donations. The carrier's proportion only of the cost of joint projects, such as construction of jointly owned tracks and elimination of highway crossings at joint expense, shall be included in these accounts.

3. Basis of Charges.—The charges to the accounts of this classification shall be based upon the cost of the property acquired. When the consideration given for the purchase or the improvement of property the cost of which is chargeable to the accounts of this classification is other than money, the money value of the consideration at the time of the transaction shall be charged to these accounts, and the actual consideration shall be described in the record in sufficient detail to identify it. The carrier shall be prepared to furnish the Commission, upon

demand, the particulars of its determination of the actual cash value of the consideration, if other than money.

4. Cost of Construction.—It is intended that the accounts for fixed improvements and equipment shall include the cost of construction of such property. The cost of construction shall include the cost of labor, materials and supplies, work-train service, special machine service, transportation, contract work, protection from casualties, injuries and damages, privileges, and other analogous elements in connection with such work. The several items of cost here referred to are defined as follows:

(*a*) *Cost of labor* includes the amount paid for labor expended by the carrier's own employees, including the cost of labor expended for preliminary work, such as sinking test holes or making soundings for tunnels, grading, buildings, and other structures; and cost of labor expended in laying and taking up tracks for temporary use in construction, except the cost of labor expended on tracks provided for the protection of traffic during the progress of addition and betterment work. Office expenses and traveling and other personal expenses of employees, when borne by the carrier, shall be considered a part of the cost of the labor, as shall also the cost of fidelity bonds and employers' liability insurance premiums. When officers or employees are specially assigned to construction work, their pay and their traveling and incidental expenses while thus engaged shall be included in the cost of the work. No charge shall be made against road and equipment accounts for the pay of officers who merely render services incidentally in connection with extensions, additions, or betterments, although traveling and incidental expenses incurred by such officers solely on account of such work shall be included in the account to which the cost of the work is chargeable.

(*b*) *Cost of materials and supplies* includes the purchase price of materials and supplies, including small tools, at the point of free delivery, plus the costs of inspection and loading assumed by the carrier; also a suitable proportion of store expenses. (See special instructions for operating expense accounts, sections 16 and 17.) In calculating the cost of materials used, proper allowance shall be made for the value of unused portions and of

cuttings, turnings, borings, etc.; for the value of the material recovered from temporary tracks, scaffolding, cofferdams, and other temporary structures used in construction; and for the value of small tools recovered and used for other purposes.

(*c*) *Cost of work-train service* includes amounts paid to others for rent and maintenance of the equipment used; cost of labor of enginemen, trainmen, and enginehouse men, including the wages of engine crews and train crews held in readiness for such service; and the cost of fuel and other supplies consumed in connection with the operation of work trains. It shall also include the cost of maintaining the carrier's own equipment while used in construction service and a fair rent for such equipment while so used. Amounts charged for rent of such equipment used in construction shall concurrently be credited to the appropriate income account for hire of equipment. No "rent" or return upon the investment in such equipment shall be charged for the use of equipment acquired with the proceeds of securities sold, when the interest upon such securities is charged to the accounts of this classification.

(*d*) *Cost of special machine service* includes the cost of labor expended and of materials and supplies consumed in maintaining and operating steam shovels, scrapers, rail unloaders, ballast unloaders, pile drivers, dredges, ditchers, weed burners, and other labor-saving machines; also rents paid for use of such machines. (See Note A under account No. 37, "Roadway machines," and text of general account II, Equipment, seventh paragraph.)

(*e*) *Cost of transportation* includes the amounts paid to other companies or individuals for the transportation of men, materials and supplies, special machine outfits, appliances, and tools in connection with construction. Freight charges paid foreign lines for the transportation of construction material to the carrier's line shall be included, so far as practicable, as a part of the cost of the material, when such charges are borne by the carrier. A fair allowance representing the expense to the carrier of such transportation in transportation service trains over the carrier's own line also shall be included. When the cost of such transportation is not assignable to specific work, it

shall be included in account No. 43, "Other expenditures—Road." Amounts thus charged for transportation in transportation service trains over the carrier's line shall be credited to operating expense general account VIII, Transportation for Investment—Cr.

(*f*) *Cost of contract work* includes amounts paid for work performed under contract by other companies, firms, or individuals, and costs incident to the award of the contract.

(*g*) *Cost of protection from casualties* includes expenditures for protection against fire, such as payments for discovery or extinguishment of fires, cost of detecting and prosecuting incendiaries, witness fees in relation thereto, amounts paid to municipal corporations and others for fire protection, and other analogous items of expenditure in connection with construction work.

(*h*) *Cost of injuries and damages* includes expenditures on account of injuries to persons or damage to property when incident to construction projects, and shall be included in the cost of the work in connection with which the injury or damage occurs. It also includes that portion of premiums paid for insuring property applicable to the period prior to the completion or coming into service of the property insured. Insurance recovered on account of compensation paid for injuries to persons incident to construction shall be credited to the accounts to which such compensation is charged, and insurance recovered on account of damages to property incident to construction shall be credited to the accounts chargeable with the expenditures necessary for restoring the damaged property. The cost of injuries and damages incident to the removal of old structures, or parts thereof, shall be charged to Operating Expenses or Profit and Loss, as may be appropriate, except that such costs in connection with the removal of old structures which are incumbrances on newly acquired lands shall be included in account No. 2, "Land for transportation purposes," or No. 3, "Grading," as may be appropriate. (See sections 7 and 8.)

(*i*) *Cost of privileges* includes compensation for temporary privileges, such as the use of public property or streets, in connection with the construction of the property of the carrier.

5. Excavated Material.—The cost of disposing of material excavated in connection with construction shall be considered as a part of the cost of the work, except that when such material is used for filling, the cost of removal and dumping shall be equitably apportioned between the work in connection with which the removal occurs and the work in connection with which the material is used.

6. Items to be Credited.—To these accounts shall be credited the ledger value of property retired.

Ledger value of property is the value at which the property is carried in the property investment account in the general ledger of the carrier. In case the value of any item of property is not shown separately in the ledger the ledger value of that item shall be its proportionate share of the value of the entire group in which the particular property is included.

Property retired means property which is sold, abandoned, demolished, or otherwise withdrawn from transportation service.

Salvage from retired property is the value of material recovered from property retired. When such material is retained and again used by the carrier, the value shall be computed upon the basis of fair prices for the material in its condition as recovered. When such material is sold, the net proceeds of the sale shall be considered as the value of the material.

7. Property Retired and Replaced.—When a unit of property other than land or equipment—such as a section of road, side or yard track, shop or power plant machine, building, or other structure—is retired from service and replaced with property of like purpose, the ledger value of the retired property shall be credited to the appropriate accounts of this classification at the time that the property is retired from service. The amount of this credit shall be charged concurrently as follows:

An amount equal to the credit balance in the accrued depreciation balance-sheet account with respect to the property thus retired shall be charged to that account and the remainder (less salvage and insurance recovered, if any), together with the cost of demolishing the property, if demolished by or for the carrier, shall be charged to the accounts in Operating Expenses

appropriate for the cost of repairs of the property before retirement. The accounting for the salvage shall be in accordance with the disposition made of the material recovered.

If, however, the property retired and replaced with property of like purpose is of minor importance, such as a small roadway building or other small structure, and is replaced in kind without betterment, the cost of the replacement shall be charged to operating expense accounts, and no adjustment made in the road and equipment accounts.

If so authorized by the Interstate Commerce Commission, the carrier may charge to Profit and Loss any extraordinarily large item representing the cost of property retired and replaced, instead of charging such item to Operating Expenses. The carrier shall file with the Commission a statement of the cost and a description of the property retired and the reasons which, in its judgment, indicate the propriety of charging the cost of such property to Profit and Loss.

The provisions of this section are applicable in accounting (at the time of retirement) for the cost of property abandoned, even though the new property has been actually installed previously to the date of the demolishment of the abandoned property.

When the renewals to be made to an important building or other structure will constitute the major portion of its value when renewed, the property, when taken out of service, shall be considered as retired and accounted for as provided above, and for the purposes of this classification the renewed property shall be considered as an addition, and the appraised cost thereof shall be included in the accounts of this classification, consideration being given to the secondhand portions remaining therein. In no case shall the charge for the renewed property exceed the cost (at current market prices of labor and material) of new property of equal capacity and equal expectation of life in service, less a suitable allowance on account of the secondhand parts remaining therein.

8. Property Retired and not Replaced.—When a unit of property other than land or equipment—such as a section of road, side or yard track, shop or power plant machine, building,

or other structure—is retired from service and not replaced, the ledger value shall be credited to the appropriate property accounts at the time that the property is retired from service. The amount of this credit shall be concurrently charged as follows:

An amount equal to the credit balance in the accrued depreciation balance-sheet account with respect to the property thus retired shall be charged to that account, and the remainder (less salvage and insurance recovered, if any), together with the cost of demolishing the property if demolished by or for the account of the carrier, shall be charged to the appropriate profit and loss account. The accounting for the salvage shall be in accordance with the disposition made of the material recovered.

9. Equipment Retired.—The instructions for accounting for equipment retired are contained in the text of the general account II, Equipment.

10. Land Retired.—When any land, the cost of which is included in the accounts of this classification, is retired, the ledger value shall be credited to account No. 2, "Land for transportation purposes." If the land is retained by the carrier, its estimated value shall be charged to balance-sheet account No. 705, "Miscellaneous physical property," the necessary adjustment of the difference between the ledger value and the estimated value on account of the loss in the property due to its retirement from transportation service shall be made through Profit and Loss. If sold, the difference between the ledger value credited to account No. 2 and the amount received for the land shall be adjusted in Profit and Loss.

11. Adjustments for Converted Property.—When property, such as a unit of equipment, a building, or other facility of one class, is converted into property of another class, so that the amount of investment in such property must be transferred from one account of this classification to another, the ledger value shall be credited to the appropriate road and equipment account. Proper account shall be taken of any salvage recovered in the process of conversion. The amount of the balance in the accrued depreciation balance-sheet account, with respect to

the property thus converted, shall be charged to that account The appraised cost of the property converted (consideration being given to the secondhand portions remaining therein) shall be included in the appropriate account of this classification. The charge for the converted property in no case shall exceed the cost (at current market prices of labor and material) of new property of equal capacity and equal expectation of life in service, less a suitable allowance on account of the secondhand portions remaining therein. The ledger value of the property before conversion, plus the cost of conversion, less the sum of the estimated value of the property as converted, the amounts charged to accrued depreciation accounts, and the salvage recovered, shall be charged to the operating expense accounts appropriate for the costs of repairs of the fixed improvements or for the retirement of equipment before conversion.

12. Expenses in Connection with Additions and Betterments.—The cost of removing old material from equipment and from buildings, bridges, wharves, tracks, and other fixed improvements, shall be charged to the appropriate operating expense accounts. Such charges shall include the cost of removing old foundations and filling old excavations, and restoring condition of grounds after addition and betterment work; rearranging or relocating existing tracks; relocating telegraph and telephone poles or lines, fences, track and other signals, buildings, bridges, trestles, culverts, and other structures, and farm and highway crossings, including crossing gates and alarms, when the provisions of section 8 of these instructions are not applicable; and maintaining or protecting traffic during the progress of addition and betterment work, including the cost of constructing, maintaining, and removing temporary tracks required for maintaining traffic during the progress of the work.

13. Interpretation of Item Lists.—Lists of "items," "details," etc., have been given as a part of this classification for the purpose of clearly indicating the application of the accounting rules in specific cases. The lists in every case are to be considered as merely representative, and not as excluding from any account analogous items which happen to be omitted

from the list appended. On the other hand, the appearance of an item in a list warrants the inclusion of the item in the account concerned only when the text of the account also indicates inclusion, inasmuch as the same item frequently appears in more than one list. The item of boilers, for example, will be found under accounts Nos. 18, 27, 37, 44, and 45, and the proper charge in any one instance must be determined by the text of the account.

14. SUBMISSION OF QUESTIONS.—To the end that uniformity of accounting may be maintained from year to year, carriers shall submit all questions of doubtful interpretation of the accounting rules to the Commission for consideration and decision.

TEXT PERTAINING TO ACCOUNTS FOR INVESTMENT IN ROAD AND EQUIPMENT

I. ROAD.

The several primary accounts included in this general account are designed to show the cost of land, fixed improvements, and roadway machines and tools owned by the carrier and devoted to transportation service.

1. ENGINEERING.

This account shall include the pay and expenses of engineers, assistants, and clerks engaged in the survey and construction of new lines and extensions, or in making additions to and betterments of the carrier's road, including wharves and docks.

LIST OF OFFICERS AND EMPLOYEES

(See general instructions, section 13)

Chief engineer.
Assistant engineers.
Bridge engineer.
Signal engineer.
Architects.
Chief clerk.
Draftsmen.
Clerks.
Transitmen.
Levelmen.
Rodmen.
Chainmen.
Axmen.
Messengers.
Cooks on business cars.
Porters on business cars.

ITEMS OF EXPENSE AND SUPPLIES

(See general instructions, section 13)

Atlases and maps.
Axes.
Barometers.
Books for office use.
Boxes for materials and instruments.
Business car service.
Cameras.
Camp equipage.
Chains for surveyors.
Compasses.
Curves.
Drawing boards.
Drawing instruments.
Field glasses.
Field notebooks.
Furniture repairs and renewals.
Hatchets.
Heating and lighting.
Levels.
Magnets.
Magnifiers.
Marking chalk.
Official train service.
Oilstones.
Paper, blue-print.
Parallel rules.
Periodicals and newspapers.
Photographic supplies.
Plane tables.
Planimeters.
Plummets.
Printing and stationery.
Protractors.
Provisions for business cars.
Ranging poles.
Reading glasses.
Rent of offices.
Repairs of rented offices.
Rods for surveyors.
Scales.
Section liners.
Sextants.
Slide rules.
Stakes.
Straightedges.
Tally registers.
Tape lines.
Tee-squares.
Telegraph service.
Telephone service.
Telescopes.
Thermometers.
Thumb tacks.
Tracing linen.
Transits.
Traveling expenses.
Traverse tables.
Triangles.
Tripods.
Verniers.
Water and ice.

NOTE A.—When employees designated above are engaged in the maintenance of the road, their pay and expenses while thus employed shall be charged to Operating Expenses.

NOTE B.—Expenditures for tentative or preliminary surveys shall be carried in a suspense account until it is determined whether or not to continue the work. If the project is continued, expenditures for all surveys in connection therewith shall then be transferred to this account, and, if abandoned, to Operating Expenses, Income, or Profit and Loss, as may be appropriate.

NOTE C.—The cost of designing, making plans and specifications, and supervising the construction of equipment shall be included in the cost of the equipment.

NOTE D.—The cost of stationery and printing supplies used for accounting purposes in connection with engineering work shall be included in account No. 74, "Stationery and printing," when not directly assignable to specific road or equipment accounts.

NOTE E. Fees and expenses of architects specially employed for de-

signing or supervising the construction of buildings shall be included in the accounts appropriate for the cost of the buildings constructed.

2. LAND FOR TRANSPORTATION PURPOSES.

This account shall include the cost of land of necessary width acquired for roadway; the cost of land for station, office, shop, and other grounds; for ingress to or egress from such grounds; for borrow pits, waste banks, snow fences, sand fences, and other railway appurtenances; and for storage of material adjoining the right of way; the cost of land for wharves and docks and the cost of riparian or water rights necessary therefor; the cost of removing from the right of way and locating elsewhere the property of others, and the cost of the necessary land for relocation of the property, when such costs are assumed by the accounting carrier.

The carrier's records shall be kept in such manner as to show separately the cost of land purchased by it and the estimated values at time of acquisition of lands donated.

Proceeds from the sale of timber or of improvements purchased with right of way, less any cost of removal, shall be credited to this account.

ITEMS OF EXPENSE

(See general instructions, section 13)

Abstracts.
Appraisals.
Arbitrators in condemnation cases.
Commissions paid to others.
Condemnation expenses, including court costs and special counsel fees.
Damages to property of others.
Deferred payments for right of way.
Ditches for waterways when part of consideration.
Judgments and decreed costs to clear or defend titles.
Notarial fees.
Plats.
Premiums on condemnation bonds.
Recording deeds.
Payments for relinquishment of cattle passes and other rights.
Removal and relocation of buildings and other structures not purchased.
Rent of land when part of consideration for purchase.
Right-of-way agents' compensation (engaged solely in acquiring right of way).
Taxes accrued and assumed at time of purchase.

NOTE.—The cost of land acquired in excess of that necessary for transportation operations shall be included in balance-sheet account No. 705, "Miscellaneous physical property." When the purchase of land acquired for transportation operations involves the purchase of land not used for

such purposes the charges to this account shall be based upon the estimated cost of only that portion which is used for such purposes, and the cost of the remaining land shall be included in account No. 705, "Miscellaneous physical property."

3. GRADING.

This account shall include the cost of clearing and grading the roadway, and of constructing protection of a permanent character for the roadway, tracks, embankments, and cuts.

When a part of a bridge or trestle, or the entire structure, is converted by filling into an earth embankment, and the bridge is used in lieu of a temporary trestle for the purpose of filling, the estimated cost of such temporary trestle shall be included in the cost of the filling, and charged to this account. (See Note A, under account No. 6, "Bridges, trestles, and culverts.")

When a tunnel is converted into an open cut, the cost of clearing, grubbing, and excavating shall be included in this account.

DETAILS OF ROADBED AND ITEMS OF EXPENSE

(See general instructions, section 13)

Advertising for contractors' bids.
Berm ditches.
Blasting.
Breakwaters.
Bulkheading.
Clearing land.
Cribbing.
Ditches (not required by right-of-way agreement).
Dressing slopes.
Excavation for conversion of tunnels into open cuts.
Filling bridges, trestles, and culverts.
Grading outfits.
Grubbling land.
Material taken from borrow pits.
Operation of steam shovels.
Payments for privilege of wasting material on the property of others.
Payments for waste banks off the right of way.
Reconstruction of highways.
Retaining walls.
Revetments.
Riprap.
Spoil banks.
Temporary trestling for fills.
Tools for grading.
Wing dams.

4. UNDERGROUND POWER TUBES.

This account shall include the cost of power tubes or conduits for underground contacts of electric railways or for underground cables of cable traction railways.

DETAILS OF UNDERGROUND CONTACT SYSTEM

(See general instructions, section 13)

Concrete work.
Drainpipes.
Manhole covers.
Manhole frames.
Plow pits.
Pulleys.
Sheaves.
Slot rails.
Yokes.

NOTE.—The cost of track rails, other track material, and electric contact rails and insulators shall be charged to the accounts appropriate for such property.

5. TUNNELS AND SUBWAYS.

This account shall include the cost of tunnels and subways for the passage of trains, including apparatus for ventilating and lighting, and safety devices therein, other than signals.

NOTE A.—The cost of tracks, including guard rails, in tunnels shall not be charged to this account.

NOTE B.—Station subways not highway crossings are includible in account No. 16, "Station and office buildings."

NOTE C.—If a tunnel be converted into an open cut, the accounting shall be in accordance with general instructions, section 11.

6. BRIDGES, TRESTLES, AND CULVERTS.

This account shall include the cost of the substructure and superstructure of bridges, trestles, and culverts which carry the tracks of the carrier over watercourses, ravines, public and private highways, and other railways.

DETAILS OF BRIDGE STRUCTURES

(See general instructions, section 13)

Abutments.
Bridge signs.
Cofferdams.
Concrete and masonry ends for culverts.
Cribs.
Decking, including gravel for fire protection.
Dike protection.
Drainage systems.
Draw protection.
Drawbridge engines and machinery.
False work.
Guard timbers.
Ice breakers.
Painting (except repainting).
Pier protection.
Piers and foundations.
Pipe culverts.
Retaining walls.
Riprap around abutments.
Riprap at culvert ends.
Supports.
Water channels.
Waterproofing.
Wing dams.
Wing walls.

NOTE A.—When a part or the entire structure of a bridge or trestle is converted, by filling, into an earth embankment, the ledger value of

the structure, or of the portion thereof filled, shall be credited to this account. In case the bridge or trestle is used in lieu of a temporary trestle for the purpose of filling, the estimated cost of such temporary trestle shall be charged to account No. 3, "Grading." The ledger value of the structure, or portion thereof, filled, less the value of the salvage and the estimated cost of trestle charged to account No. 3, shall be charged to Operating Expenses.

NOTE B.—The cost of bridges to carry the carrier's tracks over undergrade crossings, including the necessary piers and abutments for sustaining them, shall be included in this account, but the cost of undergrade roadways, paving on right of way, drainage systems, and retaining walls outside of the bridge abutments, shall be included in account No. 15, "Crossings and signs."

7. ELEVATED STRUCTURES.

This account shall include the cost of elevated structures and foundations of elevated railway systems.

This account is applicable to structures other than earthwork, which are for the purpose of elevating tracks above the grade of streets, and which are not properly classable as bridges or trestles.

NOTE.—The cost of stations and other structures built on elevated structures shall be accounted for according to the class of the structure thus superimposed, and not in this account.

8. TIES.

This account shall include the cost of cross, switch, bridge, and other track ties used in the construction of tracks for the movement or storage of locomotives and cars (including tracks in shops, fuel stations, supply yards, etc.), and the cost of additional ties subsequently laid in such tracks; also the excess cost of metal ties used in repairs of track over the cost to replace in kind wooden ties removed.

The cost of handling ties in general supply and storage yards shall be included as store expenses apportioned to this account when the ties are used for construction purposes.

NOTE A.—The cost of labor for unloading, distributing, and placing the ties in tracks, and the cost of train service in connection with the distribution of ties laid shall be charged to account No. 12, "Track laying and surfacing."

NOTE B.—The cost of ties used in the construction of car floats shall be included in the cost of such floating equipment, and the cost of ties used in the construction of temporary tracks, such as gravel-pit and quarry tracks, shall be included in the appropriate clearing accounts.

9. RAILS.

This account shall include the cost of rails used in the construction of tracks for the movement or storage of locomotives and cars (including tracks in shops, fuel stations, supply yards, etc.), and the excess cost of heavier rails or rails of improved types or quality used for repairs of tracks over the cost to replace in kind the rails removed.

The cost of handling rails in general supply and storage yards shall be included as store expenses apportioned to this account when the rails are used for construction purposes.

To this account shall be credited the difference between the cost (at current prices at time of removal) of heavy rails removed and the cost of lighter rails applied in the repairs of tracks.

NOTE A.—The cost of labor for unloading, distributing, and placing the rails in tracks, and of train service in connection with the distribution of the rails, shall be charged to account No. 12, "Track laying and surfacing."

NOTE B.—When secondhand rails are first applied to any tracks and no more than the actual cost of such rails is carried in the road accounts, the excess cost of new or heavier rails used for relaying the tracks over the cost (at prices current at the time of replacement) of rails of a weight and condition equal to the weight and condition of the released rails when applied, shall be charged to this account.

NOTE C.—The cost of rails used in the construction of car floats shall be included in the cost of such floating equipment, and the cost of rails used in the construction of temporary tracks, such as gravel-pit and quarry tracks, shall be included in the appropriate clearing accounts.

10. OTHER TRACK MATERIAL.

This account shall include the cost of material used in the construction of tracks for the movement or storage of locomotives and cars (including tracks in shops, fuel stations, supply yards, etc.), except ballast and material chargeable to foregoing accounts; also the excess cost of heavier or improved "other track material" used in repairs of tracks over the cost of replacing in kind such material removed.

The cost of handling "other track material" in general supply and storage yards shall be included as store expenses apportioned to this account when such material is used in the construction of new tracks.

ITEMS OF OTHER TRACK MATERIAL

(See general instructions, section 13)

Angle bars.
Anticreepers.
Bumping posts.
Compromise joints.
Connecting rods.
Crossings for steam and electric railways, including foundations or bases.
Derails.
Frog blocking.
Frogs.
Guard-rail blocking.
Guard-rail clamps.
Guard-rail fasteners.
Guard rails, switch and other.
Main rods.
Nut locks.
Nuts.
Offset bars.
Rail braces.
Rail chairs.
Rail clips.
Rail joints.
Rail rests.
Rail shims.
Rail splices.
Splice bars.
Step chairs.
Switch chairs.
Switch crossings.
Switch lamps.
Switch locks and keys.
Switch points.
Switch stands.
Switch targets.
Switches.
Tie plates.
Tie plugs.
Tie-rods.
Track bolts.
Track insulators.
Track spikes.

NOTE A.—The cost of labor and train service for distributing, unloading, and applying "other track material" shall be charged to account No. 12, "Track laying and surfacing."

NOTE B.—No entry is required in this account with respect to improved "other track material" unless installed under a definite plan of changing standards, such as increasing the weight of rail.

NOTE C.—The cost of "other track material" used in the construction of car floats shall be included in the cost of such floating equipment, and the cost of such track material used in the construction of temporary tracks, such as gravel-pit and quarry tracks, shall be included in the appropriate clearing accounts.

11. BALLAST.

This account shall include the cost of gravel, stone, slag, cinders, sand, and like material used in ballasting tracks (including tracks in shops, fuel stations, supply yards, etc.) not previously ballasted, including cost of work-train service and of unloading; cost of ballast applied in excess of ballast required to restore to its maximum height and width the ballast previously put on the roadbed; and the excess cost of improved ballast used in renewals over the cost to replace in kind to the original height and width the ballast removed. (Special instructions, section 11, for operating expense accounts, apply to the

accounting for pits from which ballast material is obtained either for construction work or for maintenance, or for both.)

NOTE A.—The cost of ballast used in the construction of temporary tracks, such as gravel-pit and quarry tracks, shall be included in the appropriate clearing accounts.

NOTE B.—Earth placed to form a crown in the middle of the track is not to be considered as ballast.

NOTE C.—The cost of ballast material placed on the decking of bridges solely for fire-protection purpose shall be included in account No. 6, "Bridges, trestles, and culverts."

NOTE D.—No charge shall be made to the accounts of this classification representing the value of cinders accumulated by the carrier.

12. TRACK LAYING AND SURFACING.

This account shall include the cost of distributing (including train service), laying, and adjusting ties, rails, and other track material used in the construction of tracks for the movement or storage of locomotives or cars, including repair tracks, but not tracks on car floats or temporary tracks the cost of which is chargeable to clearing accounts. It shall also include the cost of the labor expended in placing ballast in tracks not previously ballasted.

NOTE A.—The cost of distributing and adjusting ties, rails, ballast, and other track material for repairs shall be charged to Operating Expenses, both when such materials are replaced in kind and when replaced with improved and heavier material.

NOTE B.—The cost of work-train service in delivering ballast and of unloading such material is provided for in account No. 11, "Ballast."

13. RIGHT-OF-WAY FENCES.

This account shall include the cost of right-of-way fences (including permanent snow and sand fences erected in lieu of right-of-way fences), farm gates, cattle guards, wing fences, aprons, and hedges, on property not previously fenced, excluding those around stockyards, fuel stations, station and shop grounds, and building sites.

14. SNOW AND SAND FENCES AND SNOWSHEDS.

This account shall include the cost of snowsheds, including rock filling when necessary, and cost of permanent or portable fences for the protection of tracks from snow and sand, other than such permanent fences erected in lieu of right-of-way fences and chargeable to account No. 13, "Right-of-way fences."

15. CROSSINGS AND SIGNS.

This account shall include the cost of constructing farm passes, highways, and other railways across the carrier's right of way, except railways crossing at grade; cost of track signs, crossing gates, highway-crossing alarms, planking, paving, and watch houses at crossings; and the portion borne by the carrier of cost of overgrade and undergrade crossings constructed to eliminate grade crossings.

DETAILS OF GRADE CROSSINGS

(See general instructions, section 13)

Batteries, with track instruments and connections.
Crossing gates.
Crossing signal bells.
Paving.
Planking.
Soil crossing drains.
Warning signals.
Watch houses.
Water pipes.

DETAILS OF OVERGRADE CROSSINGS

(See general instructions, section 13)

Bridge superstructures.
Bridge substructures.
Decking, including roadways.
Drainage systems.
Piers, including foundations.
Retaining and wing walls, including foundations.

DETAILS OF UNDERGRADE CROSSINGS

(See general instructions, section 13)

Curbing.
Drainage systems.
Paving on right of way.
Retaining walls outside of bridge abutments.
Roadways.
Sidewalks.

LIST OF SIGNS

(See general instructions, section 13)

Boundary signs.
Mile signs.
Monument stones.
Overhead-bridge caution signs.
Section signs.
Slow or stop signs.
Subdivision boards.
Tunnel caution signs.
Water station signs.
Water trough signs.
Whistle signs.
Yard-limit signs.

NOTE A.—The cost of shop and station overgrade footbridges and subways not public highways shall be included in the cost of the buildings.

NOTE B.—The cost of bridges or trestles carrying the carrier's tracks over roads, highways, or other railways shall be charged to account No. 6, "Bridges, trestles, and culverts," but the cost of a bridge or other structure which carries farm passes, highways, or the tracks of another carrier over the carrier's tracks shall be included in this account.

16. STATION AND OFFICE BUILDINGS.

This account shall include the cost of station and office structures, their fixtures, appurtenances, and furniture necessary first to equip the buildings for use.

STATION AND OFFICE STRUCTURES AND DETAILS

(See general instructions, section 13)

Baggage rooms.
Breakwaters for protection of buildings.
Buildings and rooms for trainmen.
Buildings on piers.
Call bells.
Coal bins.
Coal transferring machinery (not on coal and ore wharves).
Coal trestles (not at fuel stations).
Commissarial buildings.
Drainage and sewerage systems.
Dwellings.
Eating houses.
Electric wiring.
Elevators and machinery.
Express buildings.
Fences.
Fire-engine houses.
Freight cranes.
Freight derricks.
Freight handling machinery.
Freight houses.
Garages.
Gas-supply systems.
General office buildings.
Grain cribs.
Grain elevators.
Grain warehouses.
Greenhouses.
Hay houses.
Heating plants.
Hedges.
Hoisting engines, for handling freight.
Hose houses.
Ice houses.
Lighting plants.
Mail cranes.
Milk stands.
Office buildings.
Ore-transferring machinery.
Outhouses.
Pavement within ground limits.
Platforms, freight.
Platforms, passenger, including planking between tracks.
Power distribution systems, interior.
Reading rooms.
Rooms for Y. M. C. A.
Scale houses.
Sidewalks.
Stables.
Station footbridges (not highway crossings).
Station intertrack fences.
Station platforms.
Station signs.
Station stairways.
Station subways (not highway crossings).
Station power houses.
Stations, freight.
Stations, passenger.
Stock pens.
Storehouses.
Telegraph offices.
Telpher systems.
Track scales.
Transfer houses.
Transfer platforms.
Waiting rooms.
Warehouses.
Washrooms.
Water-supply systems.
Yard offices.

NOTE A.—Office buildings used exclusively in connection with maintenance of way shall be included in account No. 17, "Roadway build-

ings." Those used exclusively in connection with maintenance of equipment shall be included in account No. 20, "Shops and enginehouses."

NOTE B.—The cost of grading and preparing grounds, both before and after the construction of station and office buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

17. ROADWAY BUILDINGS.

This account shall include the cost of roadway shops and other roadway buildings, including drainage, water, gas, and sewer pipes and connections; and all machinery, fixtures, and furniture to equip the buildings ready for use.

LIST OF ROADWAY BUILDINGS

(See general instructions, section 13)

Bins for material.
Blacksmith shops.
Boarding houses.
Breakwaters for protection of buildings.
Carpenter shops.
Dwellings.
Fire-engine houses.
Frog shops for repair of track material.
Hand-car houses.
Lighting plants.
Lumber sheds.
Offices.
Outhouses.
Planing mills.
Rail shops for repair of track material.
Repair shops.
Scrap bins.
Section dwelling houses.
Stables.
Storehouses.
Tool houses.
Watch houses.

NOTE.—The cost of grading and preparing grounds both before and after the construction of roadway buildings, and the cost of constructing sidewalks, driveways, and fences thereon shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

18. WATER STATIONS.

This account shall include the cost of structures, facilities, and appliances necessary to equip for service stations for supplying water. The cost of analyses of water preliminary to the establishment of water stations shall be included in this account.

WATER STATION STRUCTURES AND DETAILS

(See general instructions, section 13)

Boilers.
Breakwaters for protection of buildings.
Buildings on piers.
Cisterns.
Dams.
Fences.
Outhouses.
Penstocks.
Pump houses.
Pumps.
Purifying plants.
Reservoirs.
Settling basins.
Stationary engines.
Steam pipes.
Tanks and foundations.
Test wells.
Track tanks.
Tubs.
Water cranes.
Water pipe lines.
Water-treating plants.
Wells.
Windmills.

NOTE A.—The cost of water stations used solely for supplying water to shops, power plants, stations, hotels, tenement houses, or section houses shall be charged to the appropriate accounts relating to the property so supplied.

NOTE B.—The cost of a temporary water station established only for use during the construction period shall be included in the primary accounts to which is charged the cost of the work in connection with which the water station is used.

NOTE C.—The cost of grading and preparing grounds both before and after the construction of water station buildings, and the cost of constructing sidewalks, driveways, and fences thereon shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

19. FUEL STATIONS.

This account shall include the cost of structures, facilities other than tracks, and appliances necessary to equip for service stations for supplying fuel to locomotives and floating equipment.

FUEL STATION STRUCTURES AND DETAILS

(See general instructions, section 13)

Breakwaters for protection of buildings.
Buckets.
Buildings on piers.
Coal buckets.
Coal buggies.
Coal hoists.
Coal pockets and chutes.
Dumping machinery.
Elevating machinery.
Fences.
Fuel houses or stations.
Fuel-oil columns.
Fuel-oil plants.

Fuel-oil pumps.
Fuel-oil sumps.
Fuel-oil tanks.
Fuel platforms.
Fuel wharves.
Inclines.
Outhouses.
Scales.
Sheds.
Stationary engines.
Tipple cars.
Weighing apparatus.
Wood racks.

NOTE A.—The cost of fuel stations, coal houses, etc., used solely for supplying fuel to shops, power plants, stations, hotels, tenement houses, or section houses shall be charged to the appropriate accounts relating to the property so supplied.

NOTE B.—The cost of a temporary fuel station established only for use during the construction period shall be included in the primary accounts to which is charged the cost of the work in connection with which the fuel station is used.

NOTE C.—The cost of grading and preparing grounds both before and after the construction of fuel station buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

20. SHOPS AND ENGINEHOUSES.

This account shall include the cost of buildings to be used as shops, enginehouses, and storehouses for material for maintenance of equipment; foundations, except those special to particular machines and other apparatus; furniture and fixtures other than equipment chargeable to account No. 44, "Shop machinery"; drainage, sewerage, and water-supply systems; and plants for heat and light.

SHOP AND ENGINEHOUSE STRUCTURES AND DETAILS

(See general instructions, section 13)

Air-compressor houses.
Ash pits and pockets.
Ash plants.
Bins for material.
Blacksmith shops.
Breakwaters for protection of buildings.
Buildings on piers.
Car sheds.
Car shops.
Carpenter shops.
Cinder pits.
Cinder pockets.
Drop pits.
Dry houses.
Electric-power distribution systems within buildings.
Enginehouses.
Fire-engine houses.
Footbridges (not public highways).
Foundries.

Gas-compressor houses.
Heating plants.
Hose houses.
Ice houses.
Laboratories.
Lighting plants.
Lumber sheds.
Machine shops.
Material and supply truck tracks.
Motor-crane tracks.
Offices, shop.
Oil houses.
Outhouses.
Paint shops.
Pipe lines, air, interior.
Pipe lines, car-heating.
Pipe lines, gas, interior.
Planing mills.
Platforms, shop and yard.
Repair shops.
Sand houses.
Scale houses.
Scrap bins.
Sidewalks.
Stables.
Steam-distribution systems, interior.
Storehouses.
Tanks, gas.
Tanks, oil.
Test rooms.
Tin shops.
Tool houses.
Track scales.
Transfer tables.
Turntables.
Upholstering shops.
Warehouses.
Wash rooms.
Watch houses.

NOTE A.—The cost of distinct power plant buildings for shop purposes shall be included in account No. 29, "Power plant buildings." Cost of distribution systems leading from such power plants to shops and enginehouses shall be included in account No. 32, "Power distribution systems."

NOTE B.—The cost of grading and preparing grounds both before and after the construction of shop and enginehouse buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

NOTE C.—The cost of shop buildings, devoted solely to the maintenance of way and structures shall be included in account No. 17, "Roadway buildings."

21. GRAIN ELEVATORS.

This account shall include the cost of structures for the transfer, treatment, and storage of grain, including cost of conveyors, machinery, and fixtures.

The buildings referred to in this account are not small storage elevators at stations where grain is received for shipment, etc., but large elevators in which grain is stored for various owners.

NOTE A.—Small storage elevators at way stations are classed as station buildings.

NOTE B.—The cost of grading and preparing grounds both before

and after the construction of grain-elevator buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

22. STORAGE WAREHOUSES.

This account shall include the cost of storage warehouses, including machinery and fixtures therein.

The buildings herein referred to are not the ordinary freight warehouses or stations where freight is received for shipment, etc., but warehouses in which merchandise is stored and which the railway companies or others operate commercially as storage warehouses.

NOTE.—The cost of grading and preparing grounds both before and after the construction of storage warehouse buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

23. WHARVES AND DOCKS.

This account shall include the cost of wharves, docks, dry docks, slips, float bridges, and other landings for vessels, including the cost of necessary dredging, and the cost of float-bridge machinery; also the cost of piling, pile protection, cribs, cofferdams, walls, and other necessary devices and apparatus for the operation or protection of wharves and docks.

DETAILS OF WHARVES AND DOCKS

(See general instructions, section 13)

Bridge pontoons.
Bulkheads.
Caissons.
Cribwork.
Dry docks.
Ferry-bridge machinery.
Ferry bridges.
Ferry racks.
Ferry slips.
Jetties.
Jetty inclines.
Transfer-bridge machinery.
Transfer bridges.

NOTE A.—The cost of coal and ore wharves and docks shall be included in account No. 24, "Coal and ore wharves."

NOTE B.—The cost of the land on which wharves are built and cost of riparian or water rights for wharves and docks shall be charged to account No. 2, "Land for transportation purposes."

NOTE C.—The cost of buildings located on wharves shall be included in the accounts appropriate for the class of building.

NOTE D.—The cost of grading and preparing grounds both before and after the construction of wharves (other than coal and ore wharves) and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the wharves, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the wharves.

24. COAL AND ORE WHARVES.

This account shall include the cost of wharves and docks for the transfer, treatment, blending, or storage of coal or ore, including the cost of necessary dredging and of conveyors, machinery, and fixtures.

NOTE A.—The structures referred to in this account do not include small transfer or storage trestles or wharves at stations where coal is stored or delivered, such trestles being classed as station buildings.

NOTE B.—The cost of grading and preparing grounds both before and after the construction of coal and ore wharves, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the wharves, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the wharves, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the wharves.

25. GAS PRODUCING PLANTS.

This account shall include the cost of gas producing and gas compressing plants, and the cost of machinery and other apparatus in such plants.

NOTE.—The cost of grading and preparing grounds both before and after the construction of gas plant buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

26. TELEGRAPH AND TELEPHONE LINES.

This account shall include the cost of telegraph and telephone lines, including terminal equipment.

DETAILS OF TELEGRAPH AND TELEPHONE TERMINAL EQUIPMENT

(See general instructions, section 13)

Batteries.
Cables and wires, interior.
Conduits, interior.
Connecting wires.
Current-controlling instruments.
Electric generators and motors.
Electric meters.
Engines, stationary.
Fuses and mechanical protectors.
Rectifiers.
Rheostats.
Sending and receiving instruments.
Switchboards.
Testing outfits.
Transformers.

DETAILS OF TELEGRAPH AND TELEPHONE OUTSIDE PLANT

(See general instructions, scetion 13)

Aerial attachments.
Braces.
Brackets.
Cable boxes and appurtenances.
Cables and wires, aerial.
Conduits and appurtenances.
Cross arms.
Guy stubs.
Guy wires.
Insulators.
Poles.
Submarine cables and connections.
Telephone pole boxes.
Towers.
Underground cables and connections.

27. SIGNALS AND INTERLOCKERS.

This account shall include the cost of interlocking and other signal apparatus for governing the movement of trains, including towers and other buildings in connection therewith.

DETAILS OF SIGNALS AND INTERLOCKERS

(See general instructions, section 13)

Air compressors.
Batteries.
Boilers.
Distant signals.
Dynamos.
Engines, stationary.
Gates at crossings of other railways.
Home signals.
Interlocker buildings.
Interlocker machinery.
Interlocker mechanism.
Levers.
Rail bonds.
Railway-crossing signals.
Relays.
Semaphores.
Signal and switch levers.
Signal arms.
Signal blades.
Signal bridges.
Signal buildings.
Signal lamp brackets and connections.
Signal lamps.
Signal machinery.
Signal poles and foundations.
Signal pulleys and foundations.
Special appliances.
Station signals.
Train-order signals.
Wiring.

NOTE A.—When signal or interlocking apparatus is located in a station building, the entire cost of the building shall be included in account No. 16, "Station and office buildings."

NOTE B.—The cost of grading and preparing grounds both before and after the construction of signal and interlocker buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

28. POWER DAMS, CANALS, AND PIPE LINES.

This account shall include the cost of all dams, canals, pipe lines, and accessories devoted to the utilization of water power for the operation of trains and cars, and to furnish power, heat, and light for general purposes.

DETAILS OF DAMS, CANALS, AND PIPE LINES

(See general instructions, section 13)

Aqueducts.
Bridges.
Fences.
Footbridges.
Forebays.
Gates.
Grids.
Inlet valves.
Penstocks.
Reservoirs.
Roadways.
Sluices.
Valves.
Viaducts.
Walls.
Water rights.

29. POWER PLANT BUILDINGS.

This account shall include the cost of the buildings of power plants erected to furnish power for the operation of trains and cars, and to furnish power, heat, and light for stations, shops, or general purposes; foundations, except those special to particular machines and other apparatus; drainage, water, and sewer pipes and their connections; fixtures, including wiring for lighting and heating; and miscellaneous furniture and fixtures.

NOTE A.—The cost of power plant machinery and other apparatus shall be included in account No. 45, "Power plant machinery."

NOTE B.—The cost of grading and preparing grounds, both before and after the construction of power plant buildings, and the cost of constructing sidewalks, driveways, and fences thereon shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

30. POWER SUBSTATION BUILDINGS.

This account shall include the cost of the buildings of power substations (including storage-battery stations) erected to transform power for the operation of trains and cars, and for heat, light, and general purposes; foundations, except those special to particular machines and other apparatus; drainage, water, and sewer pipes and their connections; fixtures, including wiring, for lighting and heating; and miscellaneous furniture and fixtures.

NOTE A.—The cost of substation machinery and other apparatus for transforming or storing power in power substations shall be included in account No. 46, "Power substation apparatus."

NOTE B.—The cost of grading and preparing grounds, both before and after the construction of power substation buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

31. POWER TRANSMISSION SYSTEMS.

This account shall include the cost of high-tension transmission systems, whether overhead, surface or underground, used for transferring power from producing plants to a place where it is transformed for propelling trains and cars, or for power, heat, light, and general purposes.

DETAILS OF POWER TRANSMISSION SYSTEMS

(See general instructions, section 13)

Cables.
Cut-outs (not at power houses and substations).
Feed wires.
Guard wires.
Insulators and connections.
Span wires.
Switchboards (not at power houses and substations).
Transformers (not at power houses and substations).

NOTE.—When the electric current generated or received is changed by means of (*a*) rotary converters, (*b*) motor generator sets, or (*c*) static transformers (substation apparatus), that portion of the line or outside conductor system carrying current of other than the operating kind or voltage shall be classed as transmission system. When the electric current is generated or received and used substantially unchanged in voltage and kind, the line or outside conductor system, including any feeders, trolley wires, booster circuits, and supplementary return, shall

be classed wholly as distribution system. Tie lines between generating stations and substations shall follow the same rule as other lines.

32. POWER DISTRIBUTION SYSTEMS.

This account shall include the cost of distribution systems, whether overhead, surface, or underground, for conveying low-tension electric power from producing plants or transformer stations and for conveying steam and compressed-air from producing plants to the place where used for propelling trains and cars, or for power, heat, light, and general purposes.

DETAILS OF POWER DISTRIBUTION SYSTEMS

(See general instructions, section 13)

Compressed-air pipe lines.
Cut-outs (not at power houses and substations).
Feed wires.
Guard wires.
Insulators and connections.
Overhead trolley wires.
Rail bond plugs.
Rail bonds.
Rail-insulating devices.
Span wires.
Steam pipe lines.
Switchboards (not at power houses and substations).
Third rail.
Third-rail braces.
Third-rail insulation and protection.
Third-rail supports.

NOTE A.—The cost of track material such as insulated rail splices used in connection with distribution systems shall be charged to account No. 10, "Other track material."

NOTE B.—The cost of the portions of distribution systems located within shop buildings and station and office buildings shall be included in the cost of the buildings. The cost of distribution systems in plants used exclusively for operating signals and interlockers shall be included in account No. 27, "Signals and interlockers."

NOTE C.—When the electric current generated or received is changed by means of (*a*) rotary converters, (*b*) motor generator sets, or (*c*) static transformers (substation apparatus), that portion of the line or outside conductor system carrying current of other than the operating kind or voltage shall be classed as transmission system. When the electric current is generated or received and used substantially unchanged in voltage and kind, the line or outside conductor system, including any feeders, trolley wires, booster circuits, and supplementary return, shall be classed wholly as distribution system. Tie lines between generating stations and substations shall follow the same rule as other lines.

33. POWER LINE POLES AND FIXTURES.

This account shall include the cost of poles, cross arms, insulating pins, brackets, and other pole fixtures; braces and other supports for holding the poles in position; and structures for supporting the overhead electric construction.

34. UNDERGROUND CONDUITS.

This account shall include the cost of conduits required for underground wires and cables of electric railway construction, including manholes, sewer connections, sewer traps, and all details necessary for the completion of the conduit system.

35. MISCELLANEOUS STRUCTURES.

This account shall include the cost of all permanent structures not provided for elsewhere, including all fixtures and furniture to equip them for use.

36. PAVING.

This account shall include the cost of paving about tracks in public highways through which the carrier's tracks are laid.

NOTE.—The cost of paving upon the carrier's lands, within the grounds of buildings or other structures, shall be included in the accounts provided for the cost of the structures. The cost of paving upon the carrier's right of way at crossings shall be included in account No. 15, "Crossings and signs."

37. ROADWAY MACHINES.

This account shall include the cost of the initial outfit of roadway machines provided for the maintenance of roadway and structures at the time the road is opened for commercial traffic, and the cost of additional roadway machines acquired subsequently.

LIST OF ROADWAY MACHINES

(See general instructions, section 13)

Boilers, portable.
Cars, hand.
Cars, lever.
Cars, motor inspection.
Cars, push.
Cars (small), crane, for supply yards and general use.
Concrete mixers.
Ditching machines.
Dredging machines.
Engines, portable.
Grading outfits.
Hydraulic outfits.
Jacks, hydraulic.
Log loaders.
Pile drivers.
Plows, unloading.
Rail unloaders.
Rock crushers.
Steam rollers.
Timber trucks.
Velocipedes.

NOTE A.—When an important addition and betterment project or the construction of a new line necessitates the purchase of roadway machines to be used exclusively thereon, the cost shall be included in the accounts

to which the cost of the work is charged. The amount realized from any subsequent sale, or the appraised value of the machines retained after the completion of the special work for which they were purchased, shall be credited to the accounts charged with the cost thereof. The appraised value of such machines retained shall be debited to this account and thereafter considered as the cost of such property.

NOTE B.—The cost of machines for the equipment of roadway shops shall be included in account No. 17, "Roadway buildings," as provided for therein.

NOTE C.—The cost of roadway machines, such as pile drivers, log loaders, hoist engines, and concrete mixers, when permanently mounted for movement on the carrier's tracks, shall be included in account No. 57, "Work equipment."

38. ROADWAY SMALL TOOLS.

This account shall include the cost of the initial outfit of roadway and track small tools provided for the maintenance of way and structures at the time the road is opened for commercial traffic; also the initial outfit of such tools provided for the maintenance of extensions of such road.

LIST OF ROADWAY TOOLS

(See general instructions, section 13)

Adzes.
Anvils.
Augers.
Axes.
Ballast forks.
Bars, claw.
Bars, crow.
Bars, lining.
Bars, pinch.
Bars, raising.
Bars, tamping.
Braces and bits.
Brooms.
Brush hooks.
Cable stretchers.
Cables.
Cans, oil.
Cans, water.
Cant hooks.
Chains.
Chisels, track.
Chisels, wood.
Curbing hooks.
Dippers.
Drawing knives.
Drill bits.
Drills, portable.
Flags, signal.
Furnaces, portable.
Grindstones.
Hammers, napping.
Hammers, paving.
Hammers, spiking.
Handles for tools.
Hatchets.
Hoes.
Jack levers.
Jacks, ratchet.
Jacks, screw.
Jacks, track.
Kegs, water.
Ladders.
Lanterns and fixtures.
Lawn mowers.
Levels.
Lines for ditching.
Nippers.
Oilstones.
Padlocks.
Pails, water.
Paint brushes.
Picks, clay.

Picks, tamping.
Pike poles.
Post-hole diggers.
Post-hole tampers.
Punches.
Rail benders.
Rail tongs.
Rakes.
Rope.
Saws, crosscut.
Saws, hand.
Scrap boxes.
Scythes.
Shovels.
Sickles.
Sledges.
Spades.
Spike mauls.
Spike pullers.
Spot boards.
Squares.
Straightening machines.
Tape lines.
Thermometers for laying rail.
Tongs.
Tool boxes.
Torches.
Track gauges.
Track levels.
Vises.
Weed spuds.
Wheelbarrows.
Whetstones.
Wood mallets.
Wrenches, monkey.
Wrenches, track.

NOTE.—The cost of roadway and track small tools of which no specific record is kept shall be charged when acquired to an appropriate materials and supplies account, from which they shall be charged as issued to the appropriate road and equipment, operating expense, or other accounts. When such tools are used both for construction and maintenance work the cost shall be equitably apportioned among the accounts provided for the two classes of work.

39. ASSESSMENTS FOR PUBLIC IMPROVEMENTS.

This account shall include the carrier's proportion of the cost of constructing public improvements—such as grading, sewering, curbing, guttering, paving, and sidewalks—and other public improvements, including the cost of such improvements if made by the carrier's own employees under Government requirements.

NOTE A.—The cost of paving required by Government authority between rails and adjacent to tracks laid through public highways shall be included in account No. 36, "Paving."

NOTE B.—The carrier's proportion of the cost of maintaining such public improvements shall be included in operating expenses.

40. REVENUES AND OPERATING EXPENSES DURING CONSTRUCTION.

This account shall include the cost of operating a piece of road during the period before the regular operation of revenue trains, including rent and repairs of equipment used in commercial service during such period. It includes the cost of running construction trains over such section of road when the cost of

operating such trains can not properly be charged to any specific account.

To this account shall be credited amounts collected for rents of buildings and other properties and for the transportation of commercial freight or of passengers on construction trains; also the net profits from boarding and commissarial outfits, and other sources of operating revenue.

Carriers which wish to subdivide this account shall use appropriate subaccounts corresponding to accounts prescribed in the operating revenue, operating expense, or income account classifications.

41. COST OF ROAD PURCHASED.

This account shall include the cash cost of any road or portion thereof purchased. Where the contract of purchase includes not only road, but also equipment, securities, and other assets, the appraised value of such equipment, securities, and other assets shall be deducted from the total cash cost, and the remainder of the cash cost shall be charged to this account. Where the consideration given for the property purchased is other than cash, such consideration shall be valued on a current cash basis. If the consideration includes the assumption of liabilities, such liabilities shall be included in the determination of the cost at their cash value at the time the contract is made.

This account shall be used only as a clearing account in which temporarily to carry the cost of road purchased until such time as a plan for distributing such cost to the primary accounts appropriate for the property is approved by the Commission.

NOTE A.—The appraised value of any equipment thus acquired shall be charged to the appropriate equipment accounts. The value, at time of purchase, of any securities, or other assets acquired, shall be included in the accounts appropriate for such assets. The par value of any liabilities assumed shall be included in the appropriate liability accounts, and the necessary adjustments between the cash value charged to the property accounts and the par value shall be made in the appropriate premium or discount account.

NOTE B.—The carrier shall be prepared to furnish the Commission, upon demand, a full report of the contract of acquisition of each road, or portion thereof, purchased, and a statement showing in detail the consideration given therefor. It should procure, in connection with the acquisition of any such road and equipment, all existing records, mem-

oranda, and accounts in possession or control of the grantor, relating to the construction and improvements of such road and equipment, and shall preserve such records, memoranda, and accounts until authorized by law to destroy or otherwise dispose of them. Where the records, memoranda, and accounts are so intimately involved with other records, memoranda, and accounts of the grantor as to make their transfer impracticable or inadvisable, certified copies of them shall be procured and retained by the grantee. The verity of the copies should be certified by the custodian of the originals.

42. RECONSTRUCTION OF ROAD PURCHASED.

When a road is purchased and the fixed improvements acquired are in such a physical condition that it is necessary substantially to rebuild the road in order to bring it up to the standard required by the carrier, the cost of such rebuilding shall be charged to this account.

NOTE A.—A comprehensive statement of the estimated amount necessary to reconstruct a road in accordance with the above provision shall be made to the Commission as soon as the estimate is made.

NOTE B.—When the work of reconstruction of road purchased is completed, the cost thereof shall be credited to this account and charged to other primary accounts of this classification appropriate for the expenditures made.

43. OTHER EXPENDITURES—ROAD.

This account shall include items which can not properly be included in any of the foregoing accounts as a part of the cost of any specific work, such as the cost of transportation of men, materials, supplies, and equipment over the carrier's own line; amounts paid for rent and repairs of equipment and for injuries to persons incident to and in connection with original road, road extensions, or additions and betterments; and analogous items. When assignable, such expenditures shall be included in the cost of the property in connection with which the expenditure occurs.

NOTE.—Rents paid for and repairs made to equipment used in commercial operations during the period before the regular operation of revenue trains shall be charged to account No. 40, "Revenues and operating expenses during construction."

44. SHOP MACHINERY.

This account shall include the cost of machinery and other apparatus in shops and enginehouses, including the cost of special foundations and installation, and cost of small hand tools necessary first to equip a shop.

LIST OF SHOP MACHINERY

(See general instructions, section 13)

Air compressors.
Ash conveyors.
Belting.
Blowers.
Boilers for furnishing power.
Boring machines.
Cars, motor.
Cars, push.
Cranes.
Drill presses.
Drilling machines.
Drop tables.
Forges.
Framing machines.
Furnaces.
Grinding and polishing machines.
Hoists.
Hydraulic jacks.
Lathes.
Lifting magnets.
Metal chimneys.
Milling machines.
Motors.
Pipe cutting and threading machines.
Planers.
Pneumatic hammers.
Power equipment.
Punches.
Riveters.
Saws.
Shafting.
Shapers.
Slotters.
Stationary engines.
Steam hammers.
Vises.
Welding machines.
Woodworking machines.

NOTE A.—The cost of power plant machinery and other apparatus for shop purposes, when located in distinct buildings, shall be included in account No. 45, "Power plant machinery."

NOTE B.—The cost of foundations other than those special to particular machines and other apparatus shall be included in the cost of the building, and not in this account.

45. POWER PLANT MACHINERY.

This account shall include the cost of machinery and other apparatus for generating power in power plants used for the operation of trains and cars, or to furnish power, heat, and light for stations, shops, or general purposes, including the cost of special foundations and installation.

DETAILS OF POWER PLANT MACHINERY

(See general instructions, section 13)

Ammeters.
Batteries.
Belting.
Boiler-room appliances and tools.
Boilers and fittings.
Boosters.
Cables.
Circuit breakers.
Clutches.
Conductors.
Cranes.
Cut-outs.
Draft machinery.
Dynamos.
Economizers.
Electric-power distribution systems, interior.
Engine-room appliances and tools.
Feed-water heaters.
Furnaces.

Generators.
Globes.
Hangers.
Heating apparatus.
Hoists.
Insulators.
Lamps.
Lighting apparatus.
Lubricating devices.
Machinery and foundations.
Mechanical stokers.
Piping.
Poles.
Pumps.
Purifiers.
Rheostats.
Sewer connections.
Shafting.
Stationary engines.
Steam distribution systems.
Steam fittings.
Switchboards.
Tanks.
Transformers.
Turbines.
Voltmeters.
Water meters.
Water wheels.
Wires from generators or transformers to switchboard.

NOTE A.—The cost of power machinery and other apparatus installed in a shop as part of the shop equipment shall be included in account No. 44, "Shop machinery."

NOTE B.—The cost of power machinery and other apparatus installed in stations and offices and used solely for station and office purposes shall be included in account No. 16, "Station and office buildings."

NOTE C.—The cost of power machinery and other apparatus in plants used solely for operating signals and interlockers shall be included in account No. 27, "Signals and interlockers."

NOTE D.—The cost of foundations other than those special to particular machines and other apparatus shall be included in the cost of the building, and not in this account.

46. POWER SUBSTATION APPARATUS.

This account shall include the cost of machinery and other apparatus, including the cost of special foundations and installation, for transforming or storing power in power substations used for the operation of trains and cars, and for power, heat, and light for stations, shops, or general purposes.

DETAILS OF POWER SUBSTATION APPARATUS

(See general instructions, section 13)

Rotary converters.
Storage batteries.
Switchboards.
Transformers.

NOTE A.—The cost of constructing machinery and other apparatus for transforming or storing power shall be included in account No. 45, "Power plant machinery," when such equipment is contained in a power plant.

NOTE B.—The cost of foundations other than those special to particular machines and other apparatus shall be included in the cost of the building, and not in this account.

47. UNAPPLIED CONSTRUCTION MATERIAL AND SUPPLIES.

This account shall include the cost of material and supplies located at the point of use which have been purchased for projected new roads and road extensions.

The purpose of this account is to exclude from the current assets the cost of supplies and unapplied material which are located for use on projected new roads and roads extensions, under the condition that the material will not be used for other purposes.

NOTE A.—Material and supplies designed for projected new roads and road extensions which are carried in storehouses and store yards and included in the general stock of an operating company shall be included in balance-sheet account No. 716, "Materials and supplies."

NOTE B.—The cost of unapplied materials and supplies on hand at the completion of construction work shall be transferred to balance-sheet account No. 716, "Materials and supplies."

II. EQUIPMENT.

The several primary accounts included in this general account are designed to show the cost of the several classes of equipment owned by the carrier, or held under equipment trust agreements for purchase.

To the appropriate primary accounts in this general account shall be charged the cost of all equipment, such as steam locomotives, electric locomotives, passenger-train cars, freight-train cars, work equipment, floating equipment, and the necessary appurtenances, furniture, and fixtures first to equip for service, including the cost of inspection, setting up, and trying out, and transportation over foreign lines; also the cost of additions, such as headlights, mechanical stokers, power brakes, vestibules, machinery for self-propulsion, heating and lighting apparatus, and the like; and the excess cost of betterments, such as improved appliances, parts, or appurtenances, over the cost at current prices (as new) of the appliances, parts, or appurtenances removed. The cost of removing the old appliances and applying the improved shall be charged to Operating Expenses.

The ledger value of each unit of equipment shall be credited to the appropriate equipment account when it is retired from

service. The amount of this credit shall be concurrently charged as follows:

The amount of the balance in the balance-sheet accrued depreciation account with respect to the equipment thus retired shall be charged to that account; the salvage recovered shall be charged to the materials and supplies account or elsewhere, according to the purpose for which used; the amount of depreciation prior to July 1, 1907, not previously written off or provided for, shall be charged to Profit and Loss; and the remainder shall be charged to the appropriate operating expense account for equipment retired. The cost of demolishing the equipment, if demolished by or for the carrier, shall be charged to the appropriate operating expense account for equipment retirements.

When the cost of the renewals to be made to any unit of equipment will constitute the major portion of its value as renewed, when taken out of service, shall be considered as retired and accounted for as provided in the preceding paragraph, and for the purpose of this classification the renewed equipment shall be considered an addition and the appraised cost thereof shall be included in the account appropriate for the cost of the equipment. In no case shall the charge for the renewed equipment exceed the cost (at current market prices of labor and material) of new equipment of similar type, equal capacity, and equal expectation of life in service, less a suitable allowance on account of the secondhand parts remaining therein.

When equipment of one class is converted so as to be includible in another class, the accounting shall be as provided in general instructions, section 11.

When an important addition and betterment project or the construction of new lines necessitates the purchase of equipment to be used exclusively therein, the cost of such equipment shall be included in the accounts representing the cost of the work, and no charge shall be made to Operating Expenses for depreciation on such equipment while the cost remains so charged. The amount realized from any subsequent sale, or the appraised value of the equipment retained after the completion of the special work for which it was purchased, shall be credited to the

accounts charged with its cost. The appraised value of such equipment retained shall be debited to the appropriate primary account herein, and thereafter, for the purposes of accounting, such appraised value shall be considered as the cost of the equipment.

When secondhand equipment acquired is in such physical condition that it is necessary to make extensive repairs to it to bring it up to the standard required by the carrier, the cost of such repairs shall be included in the account appropriate for the cost of the equipment. A comprehensive statement of the amount estimated to be necessary to rebuild secondhand equipment in accordance with the above provision shall be furnished to the Commission as soon as the estimate is made.

51. STEAM LOCOMOTIVES.

This account shall include the cost of steam locomotives and tenders, purchased or built by the carrier, and of appurtenances, furniture, and fixtures necessary to equip them for service, including the cost of inspection, setting up, and trying out after receipt from builders, and transportation charges to the carrier's line.

LIST OF APPURTENANCES TO LOCOMOTIVES

(See general instructions, section 13)

Air-brake equipment and hose.
Arm rests.
Awnings.
Brake fixtures.
Cab cushions.
Cab lamps.
Clocks.
Coal boards.
Fire-extinguishing apparatus.
Gongs.
Head lamps.
Metallic packing.
Pneumatic sanding equipment.
Seat boxes.
Signal lamps.
Speed recorders.
Steam-gauge lamps.
Steam-heat equipment and hose.
Storm doors.
Tool boxes.
Train-signal equipment and hose.

52. OTHER LOCOMOTIVES.

This account shall include the cost of locomotives other than steam, purchased or built by the carrier, and of appurtenances, furniture, and fixtures necessary to equip them for service, including inspection, setting up, and trying out after receipt from builders, and transportation charges to the carrier's line.

NOTE.—Cars with motor equipment are not to be classed as locomotives.

53. FREIGHT-TRAIN CARS.

This account shall include the cost of freight-train cars of all classes, including motor-driven cars, purchased or built by the carrier, including all appurtenances, furniture, and fixtures necessary to equip them for service, and the cost of inspection and transportation charges to the carrier's line.

LIST OF FREIGHT-TRAIN CARS

(See general instructions, section 13)

Ballast (commercial).
Beer.
Box.
Cabin.
Caboose.
Charcoal.
Coal.
Coke.
Dump (commercial).
Flat.
Fruit.
Furniture.
Gondola.
Gondola (hopper).
Gondola (long).
Gun truck.
Hay.
Lime.
Logging.
Oil tank.
Ore.
Platform.
Poling.
Poultry.
Produce.
Rack.
Refrigerator.
Stock.
Tank and water (when used as commercial cars).

LIST OF APPURTENANCES TO FREIGHT-TRAIN CARS

(See general instructions, section 13)

Air-brake equipment, including hose.
Cooking equipment and utensils.
Cushions.
Heating equipment.
Ice boxes.
Lamps and fixtures.
Seats.
Speed recorders.
Train-signal equipment, including hose.
Water tanks.

NOTE.—The cost of motor equipment of cars shall be included in account No. 55, "Motor equipment of cars."

54. PASSENGER-TRAIN CARS.

This account shall include the cost of passenger-train cars of all classes, including motor-driven cars, purchased or built by the carrier, including all appurtenances, furniture, and fixtures necessary to equip them for service, and cost of inspection and transportation charges to the carrier's line.

LIST OF PASSENGER-TRAIN CARS

(See general instructions, section 13)

Baggage.
Baggage-express.
Baggage-mail.
Baggage-mail-express.
Buffet.
Café.
Chair.
Club.
Colonist.
Dining.
Express.
Immigrant.
Library.
Mail.
Milk.
Observation.
Parlor.
Parlor-baggage.
Passenger.
Passenger-baggage.
Passenger-baggage-mail.
Postal.
Refrigerator-express.
Sleeping.
Smoking.
Tourist.

LIST OF APPURTENANCES TO PASSENGER-TRAIN CARS

(See general instructions, section 13)

Air-brake equipment, including hose.
Bedding.
Chairs.
Coat hooks.
Curtains and fixtures.
Cushions.
Electric bells.
Floor coverings.
Heating equipment.
Ice boxes.
Ice tanks.
Kitchen equipment and utensils.
Lighting equipment.
Mail catchers.
Parcel racks.
Ranges and boilers.
Seats.
Speed recorders.
Steam-heat hose.
Table china.
Table glassware.
Table linen.
Table silver.
Toilet equipment.
Train-signal equipment, including hose.
Water tanks.

NOTE.—The cost of motor equipment of cars shall be included in account No. 55, "Motor equipment of cars."

55. MOTOR EQUIPMENT OF CARS.

This account shall include the cost of motor equipment of all cars, including the wiring for such electric equipment.

DETAILS OF MOTOR EQUIPMENT

(See general instructions, section 13)

Batteries, storage.
Circuit breakers.
Controllers.
Engines, internal-combustion.
Generators.
Lightning arresters.
Motors.
Overload switches.
Rheostats.
Switches.
Third-rail contact.
Trolley poles.
Trolleys.

56. FLOATING EQUIPMENT.

This account shall include the cost of marine or floating equipment of all kinds except work equipment, purchased or built by the carrier, including all appurtenances, furniture, and fixtures necessary to equip it for service, and cost of inspection and transportation charges to the carrier's line.

LIST OF FLOATING EQUIPMENT

(See general instructions, section 13)

Barges.
Canal boats.
Car and other floats.
Ferryboats.
Lighters.
Power launches.
Power lighters.
Scows.
Steamboats.
Steamships.
Transfer boats.
Tugboats.

LIST OF APPURTENANCES TO FLOATING EQUIPMENT

(See general instructions, section 13)

Anchors.
Axes.
Barometers.
Beds and bedding.
Binnacle lamps.
Blocks and tackle.
Boilers and foundations.
Cables.
Capstan bars.
Carpets.
Charts.
China, crockery, and glassware.
Chronometers.
Clocks.
Compasses.
Counters.
Desks.
Engines and foundations.
Fire buckets.
Fire extinguishers.
Floor coverings.
Flue cleaners.
Furniture.
Gangplanks.
Hatchets.
Heating equipment.
Hoisting equipment.
Hooks.
Keys.
Kitchen equipment.
Life preservers.
Lighting equipment.
Linen.
Lines.
Logs.
Machinery and foundations.
Masts.
Oil cans.
Pianos and other musical instruments.
Pumps.
Racks.
Railings.
Rakes.
Rigging.
Safes.
Sails.
Scales.
Seats, chairs, and cushions.
Shovels.
Slice bars and pokers.
Spyglasses.
Steam distribution systems.
Steering equipment.
Telescopes.
Ticket cases.
Tool boxes.
Tools, miscellaneous.
Tracks on car floats.
Ventilating equipment.
Wrenches.

57. WORK EQUIPMENT.

This account shall include the cost of work equipment, including motor-driven equipment, purchased or built by the carrier; cost of appurtenances, furniture, and fixtures necessary to equip it for service, and cost of inspection and transportation charges to the carrier's line.

LIST OF RAIL WORK EQUIPMENT

(See general instructions, section 13)

Air-brake instruction cars.
Ballast cars.
Ballast unloader cars.
Boarding cars.
Bridge cars.
Business cars.
Camp cars.
Cinder cars.
Concrete mixers (mounted).
Derrick cars.
Dirt spreaders (mounted).
Ditching cars.
Dump cars.
Dynamometer cars.
Gas tank cars.
Grading cars.
Gravel cars.
Indicator cars.
Locomotive tanks used permanently as water cars.
Locomotives.
Officers' cars.
Outfit cars.
Painters' cars.
Pay cars.
Pile drivers (mounted).
Rail saws (mounted).
Salt cars.
Sanding cars.
Scale test cars.
Scraper cars.
Snow dozers.
Snow drags.
Snow plows (moved by but not attached to locomotives).
Springling cars.
Steam shovels.
Steam wrecking derricks.
Supply cars.
Sweeper cars.
Tool cars.
Tool and block cars.
Water cars.
Weed burners (mounted).
Wrecking cars.

LIST OF FLOATING WORK EQUIPMENT

(See general instructions, section 13)

Derricks.
Dredges.
Pile drivers.

APPURTENANCES TO FLOATING WORK EQUIPMENT

(See general instructions, section 13)

Anchors.
Axes.
Barometers.
Beds and bedding.
Blocks and tackle.
Boilers and foundations.
Cables.
China, crockery, and glassware.
Compasses.
Cushions.
Desks.
Engines and foundations.
Fire extinguishers.
Fire buckets.
Floor coverings.
Flue cleaners.
Gangplanks.
Hatchets.

Heating equipment.
Hoisting equipment.
Hooks.
Keys.
Life preservers.
Lighting equipment.
Linen.
Lines.
Machinery and foundations.
Masts.
Oil cans.
Pumps.
Rakes.
Rigging.
Sails.
Seats and chairs.
Shovels.
Slice bars and pokers.
Steam distribution systems.
Steering equipment.
Tool boxes.
Tools, miscellaneous.
Wrenches.

NOTE.—The cost of motor equipment of cars shall be included in account No. 55, "Motor equipment of cars."

58. MISCELLANEOUS EQUIPMENT.

This account shall include the cost of horses and harness; and cost of wagons, automobiles, and other highway vehicles.

III. GENERAL EXPENDITURES.

The primary accounts of this general account are designed to include expenditures made in connection with the acquisition and construction of original road and equipment, and with extensions, additions, and betterments to road and equipment property, when such expenditures can not properly be included in any of the foregoing accounts as a part of the cost of any specific work. When assignable, such expenditures shall be included in the cost of the property in connection with which the expenditures occur.

71. ORGANIZATION EXPENSES.

This account shall include all fees paid to governments for the privilege of incorporation, and office and other expenditures incident to organizing the corporation and putting it in readiness to do business; cost of preparing and distributing prospectuses; cost of soliciting subscriptions for stock; cash fees paid to promoters, and the actual cash value (at the time of the organization) of securities paid to promoters for their services in organizing the enterprise; special counsel fees; cost of preparing and issuing certificates of stock; cost of procuring the necessary certificates from State authorities; and other like costs.

NOTE.—Cost of soliciting for loans or for the sale of bonds or other evidences of indebtedness shall be charged to balance-sheet account No. 725, "Discount on funded debt."

72. GENERAL OFFICERS AND CLERKS.

This account shall include the pay and expenses of executive and general officers and of general office clerks engaged exclusively in connection with the construction of new road and extensions.

NOTE.—The salaries and expenses of executive and general officers and of general office clerks engaged in connection with the conduct of commercial operations during the period before the regular operation of revenue trains shall be included in account No. 40, "Revenues and operating expenses during construction."

73. LAW.

This account shall include specific and distinct expenditures, not provided for elsewhere, for law service in connection with the acquisition of new road, road extensions, additions, and betterments, such as pay and expenses of counsel, solicitors, and attorneys, their clerks and attendants, and expenses of their offices.

ITEMS OF EXPENSE

(See general instructions, section 13)

Arbitrators' services in settlement of disputed questions.
Cost of taking depositions.
Cost of testimony.
Costs of suits.
Court bonds.
Court expenses.
Express charges.
Fees and retainers of attorneys not regularly employed.
Law books.
Legal forms.
Legal reports.
Notarial fees not provided for elsewhere.
Office expenses.
Printing of briefs, testimony, etc.
Rent of offices.
Special fees.
Telegraph service.
Telephone service.
Traveling expenses.
Witness fees not provided for elsewhere.

NOTE.—Court costs and special counsel fees in connection with the acquisition of land for transportation operations shall be included in account No. 2, "Land for transportation purposes."

74. STATIONERY AND PRINTING.

This account shall include the cost of stationery, stationery supplies, postage, office devices, and printed matter used by any class of employees in connection with construction and not provided for elsewhere.

ITEMS OF STATIONERY AND PRINTING

(See general instructions, section 13)

Adding machines.
Addressographs and supplies.
Arm rests.
Binders.
Blank books.
Blotters.
Blotting paper.
Bristol board.
Calculating machines.
Calendars.
Carbon paper.
Cardboard.
Cards, blank and printed.
Circulars.
Computing tables.
Copy (impression) books.
Copying brushes.
Copying presses.
Crayons.
Cross-section books.
Cross-section paper.
Cyclostyles.
Dating stamps and ribbons.
Dictaphones.
Dictographs.
Drawing paper.
Duplicators.
Electric pens.
Envelopes.
Erasers, rubber and steel.
Eyelet punches.
Eyelets.
File boxes.
Forms, blank and printed.
Fuel tickets.
Glass pens.
Hectographs.
Indexes.
Ink for writing and drawing.
Inkstands.
Invoice books.
Legal cap paper.
Letter paper.
Manifold paper.
Manifold pens.
Mimeographs.
Mucilage.
Mucilage brushes.
Neostyles.
Note paper.
Notices.
Numbering stamps.
Oil paper.
Paper.
Paper baskets.
Paper clips.
Paper cutters.
Paper fasteners.
Paper files.
Paper weights.
Papyrographs.
Parchment paper.
Pencil sharpeners.
Pencils for writing and drawing.
Penholders.
Penracks.
Pens for writing and drawing.
Phonographs and records.
Pins.
Postage.
Punches (not conductors' or baggagemen's).
Rubber bands.
Rubber stamps.
Rulers.
Ruling pens.
Scrapbooks.
Sealing wax.
Seals.
Shears.
Shipping tags.
Shorthand notebooks.
Sponge cups.
Sponges.
Stamps, impression.
Stylographs.
Tablets, blank and printed.
Tape.
Telegraph blanks.
Time-tables.
Tissue (impression) paper.
Tracing cloth.
Tracing paper.
Twine.
Typewriters and ribbons.
Wage tables.
Wastebaskets.
Water colors.

Water holders.
Waybills.
Wrapping paper.
Wringers for copying presses.

NOTE A.—The cost of printing bonds, etc., in connection with the carrier's funded debt shall be included in balance-sheet account No. 725, "Discount on funded debt."

NOTE B.—The cost of stationery and printing, when assignable, shall be included in the cost of the property in connection with the acquirement or construction of which the expenditure occurs.

75. TAXES.

This account shall include State, county, township, city, school, road, annual franchise, and all other taxes and assessments levied and paid on property belonging to the carrier during construction and before the facilities are used for commercial operations, except special assessments for street and other improvements chargeable to account No. 36, "Paving," or No. 39, "Assessments for public improvements."

NOTE.—Taxes during construction, when assignable, shall be included in the cost of the property acquired or constructed.

76. INTEREST DURING CONSTRUCTION.

When any bonds, notes, or other evidences of indebtedness are sold, or any interest-bearing debt is incurred for acquisition and construction of original road and equipment, extensions, additions, and betterments, the interest accruing on the part of the debt representing the cost of property chargeable to road and equipment accounts (less interest, if any, allowed by depositaries on unexpended balances) after such funds become available for use and before the receipt or the completion or coming into service of the property so acquired shall be charged to this account.

When such securities are sold at a premium the proportion of such premium assignable to the time between the date of the actual issuance of the securities and the time when the property acquired or the improvement made becomes available for service shall be credited to this account.

This account shall also include such proportion of the discount and expense on funded debt issued for the acquisition of original road, original equipment, road extensions, additions, and betterments, as is equitably assignable to the period between the date of the actual issuance of securities and the time when

the property acquired or the improvement made becomes available for the service for which it is intended. The proportion of discount and expense thus chargeable shall be determined by the ratio between the period prior to the completion or coming into service of the facilities or improvements acquired and the period of the entire life of the securities issued.

This account shall also include reasonable charges for interest, during the construction period before the property becomes available for service, on the carrier's own funds expended for construction purposes.

NOTE A.—Interest on bonds, notes, or other evidences of indebtedness accruing before the proceeds from the sale of the securities become available for use shall not be included in this account, nor shall there be included any interest accruing after the property with respect to which the proceeds are expended is received or becomes available for use in connection with commercial service.

NOTE B.—If any securities which have been issued or assumed by the carrier are sold or exchanged by or for the carrier for a consideration the actual money value of which at the time of such sale or exchange is less than the value of the securities at par and the accrued interest thereon, if any, the difference between the money value of the consideration received and the par value of the securities plus the accrued interest shall be deemed a discount. In no case (except as provided in the third and fourth paragraphs of this account) shall discounts be included as part of the cost of anything charged to any account prescribed in this classification.

NOTE C.—For definition of securities *actually issued*, see Note B, under general balance-sheet account No. 755, "Funded debt unmatured."

NOTE D.—Whenever interest, premium, or discount assignable to the construction period is incurred in connection with an expenditure covered by some specific road and equipment account or accounts, such interest, premium, or discount shall be charged directly to the specific accounts to which it is related.

77. OTHER EXPENDITURES—GENERAL.

This account shall include all expenditures of a special and incidental nature in connection with the acquisition and construction of original road and equipment, road extensions, additions, and betterments which can not properly be included in any other account in this classification.

APPENDIX B

CLASSIFICATION OF OPERATING REVENUES AND OPERATING EXPENSES. ISSUE OF 1914

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GENERAL INSTRUCTIONS

THE carrier's records shall be kept with sufficient particularity to show fully the facts pertaining to all entries made in the accounts provided herein for railway operations. Where the full information is not recorded in the general books, the entries therein shall be supported by other records in which the full details shall be shown. Such general book entries shall contain sufficient reference to the detail records to permit ready identification, and the detail records shall be filed in such manner as to be readily accessible for examination by representatives of the Interstate Commerce Commission.

1. OPERATING ACCOUNTS.—The accounts of this classification are designed to show the revenues and expenses (including the maintenance of the facilities used) of the carrier's railway operations, including rail-line transportation, water-line transportation, if any, and services incident to transportation.

Transportation includes the receipt, conveyance, and delivery of traffic.

Rail-line transportation includes not only the conveyance of

traffic over tracks, but also the necessary conveyance by water transfers (ferriage, lighterage, and floatage) either between track terminals or between track terminals and points not reached by tracks, such as the water transfers at present operated by carriers having track terminals at New York harbor, and the water transfers at present operated by the—

Ann Arbor Railroad Company between Frankfort, Mich., and Manistee, Mich., Menominee, Mich., Kewaunee, Wis., and Manitowoc, Wis.

Atchison, Topeka & Santa Fe Railway Company between Ferry Point, Cal., and San Francisco, Cal.

Morgan's Louisiana & Texas Railroad & Steamship Company across the Mississippi River near New Orleans, La.

Nashville, Chattanooga & St. Louis Railway between Incline, Ala., and Gunters Landing, Ala.

New York, Philadelphia & Norfolk Railroad Company between Cape Charles, Va., and Norfolk, Va.

Southern Railway Company between Pinners Point, Va., and Norfolk, Va.

Southern Pacific Company between Oakland, Cal., and San Francisco, Cal.

Water-line transportation includes the transportation of local traffic from port to port, and the transportation of both local and inter-line rail and water-line traffic from port to port, such as the water-line transportation operations at present conducted by the—

Baltimore, Chesapeake & Atlantic Railway Company on Chesapeake Bay and the Potomac River.

Central Railroad Company of New Jersey between New York, N. Y., and Atlantic Highlands, N. J.

Erie Railroad Company between Buffalo, N. Y., and Manitowoc, Wis., Milwaukee, Wis., and Chicago, Ill.

Southern Pacific Company between New York, N. Y., and New Orleans, La.; between New York, N. Y., and Galveston, Tex.; between New Orleans, La., and Habana, Cuba; and between San Francisco, Cal., and Sacramento, Cal.

Incidental revenues from meals, liquors, books, periodicals, etc., sold on vessels, have, because of established practice, been

provided for in the primary accounts included in revenue general account II, Transportation—Water Line.

Carriers are at liberty to subdivide the general and primary accounts here given, but if this option be exercised a statement of the accounts adopted shall be filed in the office of the Division of Carriers' Accounts of the Interstate Commerce Commission.

The carrier means the accounting carrier, except when otherwise specifically indicated.

2. Unaudited Items Affecting Operating Accounts.—When for any cause the amount of any item affecting operating revenues or operating expenses can not be accurately determined in time for inclusion in the accounts of the month in which the transaction occurs, the amount of the item shall be estimated and in such form charged or credited to operating accounts and credited to balance-sheet account No. 778, "Other unadjusted credits," or charged to balance-sheet account No. 727, "Other unadjusted debits," as may be appropriate, the necessary adjustments being made later when the item is audited. The carrier is not required to anticipate minor items which would not appreciably affect the operating accounts.

3. Delayed Items.—When no provision has been made through entries in the accounts of these classifications for anticipating delayed items chargeable or creditable to the accounts herein, and the amount of any such item is relatively so large that its inclusion in the accounts for a single year would seriously distort those accounts, the carrier, if so authorized upon application to the Interstate Commerce Commission, shall distribute to Profit and Loss so much of the amount as may be authorized.

The carrier shall file with the Commission for approval the full particulars concerning each such item and the reasons which, in its judgment, indicate the propriety of such accounting.

When the amount of a delayed item is relatively so large that its inclusion in the accounts for a single month will seriously distort those accounts it may be distributed in equal monthly charges to the remaining months of the current fiscal year.

Delayed items are items representing transactions which occurred before the current fiscal year.

4. Miscellaneous Operations.—The revenue and expenses of miscellaneous operations involving the use of such facilities as hotels and restaurants, power plants, cold-storage plants, coal-storage plants, cotton-compress plants, wood-preserving plants, ice-supply plants, etc., shall not be included in the accounts of this classification when the facilities used are distinct from those used by the carrier in the service of transportation or in the maintenance of facilities used in transportation service, and the operations are not incident to such service. (See income accounts No. 502, "Revenues from miscellaneous operations," and No. 534, "Expenses of miscellaneous operations," and balance-sheet account No. 705, "Miscellaneous physical property.")

5. Submission of Questions.—To the end that uniformity of accounting may be maintained from year to year, carriers shall submit all questions of doubtful interpretation of the counting rules to the Commission for consideration and decision.

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SPECIAL INSTRUCTIONS

1. Accounts for Operating Revenues.—The accounts provided for operating revenues are designed to show amounts of money which a carrier becomes entitled to receive from transportation and from operations incident thereto.

Credits to the revenue accounts shall as nearly as practicable be upon the basis of accruals of revenue.

No charge shall be made against the accounts of this classification for amounts representing tariff charges which for any cause are uncollected, the service for which the charge is made having been properly performed and individuals or companies being liable for the charges.

Uncollectible charges against individuals and companies, representing tariff charges for transportation service rendered for which such individuals and companies are liable, shall be charged to income account No. 533, "Uncollectible railway revenues." This includes items such as charges where credit has been extended and the debtor becomes insolvent, and also uncollectible undercharges discovered after the service has been rendered.

Uncollected tariff charges on unclaimed and refused shipments of freight, such refused shipments having been transported in accordance with the contract of shipment, shall be charged to a suspense account, to which shall be credited, to the extent of the tariff charges included therein, the proceeds derived from the sale of such unclaimed and refused freight. When the excess of the tariff charges over the amount realized from the sale of the freight is found to be uncollectible, it shall be cleared to income account No. 533, "Uncollectible railway revenues."

When the amount realized from the sale of such unclaimed and refused freight exceeds the amount of the tariff charges for the transportation thereof, the excess (if lawfully retained by the carrier) shall be credited to profit and loss account No. 607, "Miscellaneous credits."

The carrier's tariff charges on lost, destroyed, or damaged shipments, for which charges neither consignees nor consignors

are liable, shall be charged to the revenue accounts previously credited.

Overcharges, when discovered, shall be credited to balance-sheet account No. 778, "Other unadjusted credits," and when found to be unrefundable, shall be cleared to profit and loss account No. 605, "Unrefundable overcharges."

2. INTERPRETATION OF ITEM LISTS.—Lists of items to be credited and of items to be charged have been given as a part of the text of this classification for the purpose of clearly indicating the application of the accounting rules. They are not to be considered as comprising all the items creditable or chargeable to the several accounts, but merely as representative of them.

The items contained in the lists of items to be charged to the respective accounts are chargeable only when such items have been, through oversight, included in the credits to the accounts, or they are items of revenue payable to others for service to be rendered in accordance with the tariff provisions applicable to the rates upon which the credits to the several accounts have been based.

TEXT PERTAINING TO OPERATING REVENUE ACCOUNTS

I. TRANSPORTATION—RAIL LINE.

The primary accounts included in this general account are designed to show amounts of money which the carrier becomes entitled to receive or which accrue to its benefit from service rendered in transporting property or persons by rail line. (See general instructions, section 1.)

101. FREIGHT.

This account shall include revenue from the transportation of freight and from transit, stop, and reconsigning privileges, upon the basis of lawful tariff rates.

ITEMS TO BE CREDITED

(See special instructions, section 2)

(*a*) Revenue upon the basis of local freight tariff rates, regardless of class of train in which the freight is transported.

(*b*) The carrier's proportion of revenue upon the basis of through

freight tariff rates, regardless of class of train on which the freight is transported.

(*c*) Revenue from transportation of mail matter, and empty mail pouches, at freight tariff rates.

(*d*) Revenue from transportation of freight on special trains at rates based on weights of shipments.

(*e*) Revenue on basis of classifications and freight tariffs from transportation of caretakers of freight shipments.

(*f*) Revenue from reconsigning privileges.

(*g*) Revenue from stop privileges.

(*h*) Revenue from transit privileges.

(*i*) Revenue upon the basis of arbitraries out of freight rates for water transfers (ferriage, lighterage, and floatage).

ITEMS TO BE CHARGED

(See special instructions, section 2)

Amounts paid as bridge and ferry arbitraries on freight.

Amounts paid for completing a haul.

Amounts paid for elevation of freight.

Amounts paid for switching services, in connection with the transportation of freight, on the basis of switching tariffs, and allowances out of through rates, including amounts paid for switching empty cars in connection with a freight revenue movement.

Amounts paid for transferring freight between stations.

Arbitraries and allowances to others for lighterage and wharfage.

The carrier's proportion of overcharges resulting from the use of erroneous rates, weights, classifications or computations.

The carrier's proportion of refunds on account of errors in routing and billing.

The carrier's proportion of uncollected revenue on freight lost or destroyed in transit.

The carrier's proportion of uncollected tariff charges on damaged shipments for which charges neither shipper nor consignee is liable.

NOTE A.—Amounts paid for switching empty cars otherwise than in connection with loaded movements shall be charged to operating expense account No. 411, "Other expenses," except that amounts paid for switching equipment for repairs shall be included in the appropriate equipment repair accounts.

NOTE B.—Other carriers' proportion of revenue and of uncollectible undercharges paid by the carrier on account of its errors in routing and billing shall be charged to operating expense account No. 411, "Other expenses."

NOTE C.—Other carriers' proportion of revenue paid by the carrier on freight lost, destroyed, or damaged in transit, for which neither consignees nor consignors are liable shall be charged to operating expense account No. 418, "Loss and damage—Freight."

NOTE D.—When a lessee company transports freight over the tracks of another carrier on the basis of a proportion of revenues under a joint arrangement, it shall include the entire compensation in its revenues and statistics, charging the appropriate joint facility expense and rental accounts with the amounts paid the lessor company, and the lessor company shall credit the corresponding accounts.

NOTE E.—The accrued revenue derived from the transportation of cream, sweet milk, etc., on a basis of lawful tariffs at rates per package, regardless of weights, shall be included in account No. 109, "Milk."

NOTE F.—Revenue from the transportation of caretakers of freight shipments, when not included as a part of the freight charges on the waybill covering the freight shipments, shall be credited to account No. 102, "Passenger."

102. PASSENGER.

This account shall include the revenue from the transportation of passengers, based upon tariff fares for passengers so transported; also from the transportation at special fares of excepted classes of passengers as provided by law.

ITEMS TO BE CREDITED

(See special instructions, section 2)

(*a*) Revenue upon the basis of local tariff fares.

(*b*) The carrier's proportion of revenue upon the basis of through tariff fares.

(*c*) Revenue from extra fares on limited trains.

(*d*) Revenue from additional fares for exclusive use of drawing rooms or state rooms.

(*e*) Revenue from mileage and scrip coupons honored.

(*f*) Revenue from transportation of corpses.

(*g*) Revenue from transportation of passengers on special trains at fares based on rate per capita.

(*h*) Revenue upon the basis of arbitraries out of passenger fares for water transfers (ferriage).

ITEMS TO BE CHARGED

(See special instructions, section 2)

Amounts paid as bridge and ferry passenger arbitraries.

Amounts paid for switching empty passenger-train cars in connection with the transportation of passengers on the basis of tariff fares for passengers so transported.

Amounts paid for switching services in completing a transportation movement.

Amounts paid for transferring passengers or baggage between stations or connecting lines.

Redemptions of unused and partially unused local passenger tickets.

Refunds of extra fares on limited trains.

Refunds of local tariff fares.

The carrier's proportion of redemptions of unused and partially unused through passenger tickets.

The carrier's proportion of refunds of through tariff fares.

The carrier's proportion of overcharges resulting from the application in error of fares in excess of tariffs.

NOTE A.—Refundable cash fare penalty collections made by conductors, and the refundable portions of amounts derived from the sales

of mileage tickets, mileage credentials, and scrip shall not be credited to this account but to an appropriate suspense account.

NOTE B.—This account shall be credited with the cash value of coupons from mileage tickets and scrip only as they are honored for transportation. Gross receipts from mileage tickets and scrip when sold shall be credited to an open account. The open account shall be charged and this account credited with the cash value of coupons as honored.

NOTE C.—When a lessee company transports passengers over the tracks of another carrier on the basis of a proportion of revenues under a joint arrangement, it shall include the entire compensation in its revenues and statistics, charging the appropriate joint facility expense and rental accounts with the amounts paid the lessor company, and the lessor company shall credit the corresponding joint facility accounts.

NOTE D.—Amounts paid for switching empty passenger-train cars otherwise than in connection with loaded movements shall be charged to operating expense account No. 411, "Other expenses," except that charges for switching equipment for repairs shall be included in the appropriate equipment repair accounts.

103. EXCESS BAGGAGE.

This account shall include the revenue from the transportation of baggage in excess of free authorized allowances on the basis of excess baggage tariff rates.

To this account shall be credited the cash value of coupons from baggage scrip books only as the coupons therefrom are honored for transportation of excess baggage.

NOTE A.—Revenue derived from the transportation of shipments of silk, fish, etc., in passenger trains at freight tariff rates shall be included in account No. 101, "Freight."

NOTE B.—Revenue derived from the transportation of packages, articles, dogs, etc., on passenger trains on the basis of passenger tariff rates shall be included in account No. 108, "Other passenger-train."

NOTE C.—The refundable portions of amounts derived from the sale of baggage scrip books shall not be credited to this account.

NOTE D.—The gross receipts from baggage scrip books when sold shall be credited to an open account. The open account shall be charged and this account credited with the cash value of coupons as honored.

104. SLEEPING CAR.

This account shall include the revenue from berth and seat accommodations furnished in sleeping cars on the basis of berth or seat rates for the space occupied.

105. PARLOR AND CHAIR CAR.

This account shall include the revenue from seat accommodations furnished in parlor, observation, chair, and other special

passenger cars when operated in passenger-train service or in special-train service at seat rates for space occupied.

106. MAIL.

This account shall include the revenue from the transportation of mail at established rates for specified routes; from the use of railway post-office cars when in carrier's service transporting mails; from the use of special mail facilities; and from bonuses for special mail transportation.

To this account shall be charged fines and penalties imposed by the Government when not collected from agents or employees.

NOTE.—The revenue from the transportation of mail matter and empty mail pouches on freight trains at freight tariff rates shall be included in account No. 101, "Freight."

107. EXPRESS.

This account shall include the revenue from transportation of express matter and from use of facilities on trains and at stations incident to such transportation.

When a railway company transacts an express business through its regular railway organization, the revenue therefrom shall be credited to this account.

NOTE.—When contracts for express privileges provide specific amounts for the rent of facilities at stations, such amounts shall be included in revenue account No. 142, "Rents of buildings and other property."

108. OTHER PASSENGER-TRAIN.

This account shall include the revenue from transportation incident to the operation of passenger trains, not provided for otherwise.

LIST OF ITEMS

(See special instructions, section 2)

(*a*) Revenue from transportation of packages, newspapers, articles dogs, etc., on passenger trains at other than freight or excess baggage rates.

(*b*) Revenue received under a guaranteed lump-sum minimum for the transportation of passengers on regular or chartered trains, in excess of regular tariff fares for the passengers actually transported.

(*c*) The carrier's proportion of revenue derived from the operation over its line of sleeping, parlor, chair, observation, and other special cars owned and operated by other companies.

(*d*) Unclaimed penalty collections on trains.

(*e*) Value of the portions of mileage tickets, mileage coupons, and scrip books unpresented and unredeemed.

109. MILK.

This account shall include the revenue from the transportation of cream, sweet milk, skim milk, sour milk, buttermilk, condensed milk, butter fat, and smearcase or pot cheese, upon the basis of lawful tariffs at rates per package, regardless of weights.

NOTE.—The revenue from the transportation of milk upon the basis of lawful tariffs at rates per specified weights shall be included in revenue account No. 101, "Freight."

110. SWITCHING.

This account shall include the revenue from switching service upon the basis of lawful tariff rates.

To this account shall be credited the carrier's revenue upon the basis of tariff rates, or the carrier's allowance out of through rates, from the switching of cars of all kinds, loaded or empty, either locally at a station or within a switching district, between connecting lines, between local industries, or between connecting lines and local industries; revenue upon the basis of distinct tariff rates for "trap-car" and "ferry-car" service and for spotting cars; also the revenue from interwork switching at industrial plants, and the revenue from "penalty switching" incident to the improper delivery of cars by other carriers.

To this account shall be charged amounts paid others for switching when such switching service is provided for in the switching rate charged by the carrier.

NOTE.—"Penalty switching" charges paid by the carrier shall be included in expense account No. 411, "Other expenses."

111. SPECIAL SERVICE TRAIN.

This account shall include the revenue from running trains either on the basis of a rate per mile or a lump-sum rate for the train.

LIST OF ITEMS

(See special instructions, section 2)

(*a*) The carrier's revenue from handling baggage cars in special trains for theatrical companies.

(*b*) The carrier's revenue from handling circus or theatrical company

trains on basis of specific amounts for transportation between designated stations.

(c) The carrier's revenue from running trains for Federal or State Governments to transport troops, war munitions, camp outfits, etc.

NOTE A.—No account need be kept of the number of tons and ton-miles or of passengers and passenger-miles where the revenues from a train are properly creditable to this account.

NOTE B.—The revenue derived from the transportation of freight and passengers on a special train, upon the basis of a rate per pound, per hundredweight, or per ton for freight, and a rate per capita for passengers shall be credited to revenue accounts No. 101, "Freight," and No. 102, "Passenger," in accordance with the charges for each class of transportation service. Such trains shall be classified as freight, passenger, or mixed, as may be appropriate under the classification of train, locomotive, and car miles.

112. OTHER FREIGHT-TRAIN.

This account shall include the revenue from transportation incident to the operation of freight trains not otherwise provided for, such as revenue in excess of tariff rates for the transportation of freight in revenue trains, with a guaranteed lump sum minimum.

113. WATER TRANSFERS—FREIGHT.

This account shall include the revenue from the transfer of freight by water transfers (ferriage, lighterage, and floatage) upon the basis of lawful tariff rates for local service.

NOTE.—No revenue shall be included in this account upon the basis of arbitraries out of rates for transportation involving rail line haul.

114. WATER TRANSFERS—PASSENGER.

This account shall include the revenue from the transfer of passengers by water transfers (ferriage) upon the basis of lawful tariff rates for local service.

NOTE.—No revenue shall be included in this account upon the basis of arbitraries out of rates for transportation involving rail line conveyance.

115. WATER TRANSFERS—VEHICLES AND LIVE STOCK.

This account shall include the revenue from the transfer by water transfers upon the basis of lawful local tariff rates, of vehicles of all classes; horses, cattle, and other animals; and Government artillery and equipment.

NOTE.—No revenue shall be included in this account upon the basis of arbitraries out of rates for transportation involving rail line haul.

116. WATER TRANSFERS—OTHER.

This account shall include the revenue from water transfers not otherwise provided for, such as the revenue from towing beyond lighterage limits and all other towing for which an extra charge is made; insurance of freight afloat when billed out at other than cost; storage of freight afloat; grain overage in boats; pumping performed for outside parties; and from other similar sources.

To this account shall be charged amounts payable to other companies or individuals for extra lighterage, extra towing, and for all other service when such payments represent revenue collected and credited to this account and not a direct expense.

II. TRANSPORTATION—WATER LINE.

The primary accounts included in this general account are designed to show amounts of money which the carrier becomes entitled to receive or which accrue to its benefit from service rendered in transporting property or persons by water lines. (See general instructions, section 1.)

121. FREIGHT.

This account shall include the revenue from the transportation of freight by water-line service upon the basis of lawful tariff rates.

ITEMS TO BE CREDITED

(See special instructions, section 2)

(*a*) Revenue upon the basis of local freight tariff rates.
(*b*) Carrier's proportion of revenue upon the basis of through tariff rates.
(*c*) Revenue from the transportation of mail matter and empty mail pouches at freight tariff rates.
(*d*) Revenue on the basis of classifications and freight tariffs from the transportation of caretakers of freight shipments.
(*e*) Arbitraries allowed in rates for cargo insurance.

ITEMS TO BE CHARGED

(See special instructions, section 2)

Amounts paid for completing a haul.
Amounts paid for elevation of freight.
Amounts paid for transferring freight between stations or connecting lines.
Arbitraries and allowances to others for lighterage and wharfage.

Carrier's proportion of overcharges resulting from the use of erroneous weights, rates, classifications, or computations.

Carrier's proportion of refunds on account of errors in routing or billing.

Carrier's proportion of uncollected revenue on freight lost or destroyed in transit.

Carrier's proportion of uncollected tariff charges on damaged shipments for which charges neither shipper nor consignee is liable.

NOTE A.—Other carrier's proportion of revenue and of uncollectible undercharges paid by the carrier on account of errors in routing and billing shall be charged to operating expense account No. 432, "Operation of terminals."

NOTE B.—Other carriers' proportion of revenue paid by the carrier on freight lost or destroyed in transit shall be charged to operating expense account No. 433, "Incidental."

NOTE C.—If the carrier maintains a transfer or lighterage service the expenses of which are included in expense account No. 432, "Operation of terminals," the revenues arising from the service shall be included in account No. 128, "Other." If the service is performed by an outside party, its cost to the carrier shall be charged to the appropriate revenue account.

NOTE D.—Revenue from the transportation of caretakers of freight shipments, when not included as a part of the freight charges on the waybill covering the freight shipments, shall be credited to account No. 122, "Passenger."

122. PASSENGER.

This account shall include the revenue from the transportation of passengers by water-line service based on tariff fares for the passengers so transported; also transportation at special fares of excepted classes of passengers as provided by law.

The credits to this account shall appear under appropriate subheads, as follows:

(*a*) Revenue from the transportation of passengers, including sleeping accommodations and meals (when not separable).

(*b*) Revenue from the transportation of passengers, not including sleeping accommodations and meals.

(*c*) Revenue from the rent of staterooms, berths in staterooms, and other sleeping and living accommodations.

(*d*) Revenue from the sale of meals and food supplies.

ITEMS TO BE CREDITED

(See special instructions, section 2)

(*a*) Revenue upon the basis of local tariff fares.

(*b*) The carrier's proportion of revenue upon the basis of through tariff fares.

(*c*) Revenue from extra fares for limited service.

(*d*) Revenue from mileage and scrip coupons honored.

(*e*) Revenue from the transportation of corpses.

ITEMS TO BE CHARGED

(See special instructions, section 2)

Amounts paid for transferring passengers or baggage between stations or connecting lines.

Redemptions of unused or partially unused local passenger tickets.

Refunds of local tariff fares.

The carrier's proportion of redemptions of unused or partially unused through passenger tickets.

The carrier's proportion of refunds of through tariff fares.

The carrier's proportion of overcharges resulting from the application in error of fares in excess of tariffs.

NOTE.—This account shall be credited with the cash value of coupons from mileage tickets and scrip only as they are honored for transportation. Gross receipts from mileage tickets and scrip, when sold, shall be credited to an open account. The open account shall be charged and this account credited with the cash value of the coupons as honored.

123. EXCESS BAGGAGE.

This account shall include the revenue from the transportation by water-line service of baggage in excess of free authorized allowance on the basis of excess baggage tariff rates; also the revenue from the transportation of packages, articles, dogs, etc., incidental to the transportation of passengers.

To this account shall be credited the cash value of coupons from baggage scrip books only as they are honored for the transportation of excess baggage.

NOTE A.—The refundable portion of amounts derived from the sale of baggage scrip coupons shall not be credited to this account.

NOTE B.—The gross receipts from baggage scrip books, when sold, shall be credited to an open account. The open account shall be charged, and this account credited with the cash value of coupons as honored.

124. OTHER PASSENGER SERVICE.

This account shall include revenue, not otherwise provided for, incident to the transportation of passengers.

ITEMS TO BE CREDITED

(See special instructions, section 2)

(*a*) Revenue from the sale of tobacco, cigars, cigarettes, etc.

(*b*) Revenue from the sale of books, periodicals, and other news-stand supplies.

(*c*) Revenue from the rent of steamer chairs and rugs.

125. MAIL.

This account shall include the revenue from the transportation of mail by water-line service at established rates for specified

routes; from the use of special facilities; and from bonuses for special mail transportation.

To this account shall be charged fines and penalties imposed by the Government when not collected from agents or employees.

NOTE.—The revenue from the transportation of mail matter and empty mail pouches at freight tariff rates shall be included in account No. 121, "Freight."

126. EXPRESS.

This account shall include the revenue from transportation of express matter by water-line service, and from the use of facilities on vessels and at stations incident to such transportation.

When a carrier transacts an express business by water line through its regular organization, the earnings therefrom shall be credited to this account.

NOTE.—When contracts for express privileges provide specific amounts for the rent of facilities at stations, such amounts shall be included in revenue account No. 142, "Rents of buildings and other property."

127. SPECIAL SERVICE.

This account shall include the revenue from running vessels on excursions or special trips when specific charges not based on the number of passengers carried are made for transportation between designated points; and from running special trips carrying troops, munitions of war, camp outfits, etc., for the Federal or State Governments when specific lump amounts are charged for the transportation.

NOTE.—Lump sums received for passenger excursions or for special trips ordinarily designated as "charter of vessels," shall be treated as revenue incident to transportation, rather than as rent, and shall be included in this account.

128. OTHER.

This account shall include the revenue from transportation by water line not provided for elsewhere.

NOTE.—Revenues upon the basis of distinct tariff rates from services rendered and facilities furnished on wharves and at stations incident to the operation of water-line service shall be included in the primary accounts under general account III, Incidental.

III. INCIDENTAL.

The primary accounts included in this general account are designed to show the amounts which the carrier becomes entitled to receive from services rendered incidentally with rail-line and water-line transportation, for the use of facilities of which the expenses for operation and maintenance are not separable from railway expenses, and from incidental sources not provided for elsewhere.

The accounts for incidental revenue shall be kept in such manner as to show separately, by primary accounts, the revenue from services rendered and facilities furnished on wharves and at stations incident to the operation of water-line service.

131. DINING AND BUFFET.

This account shall include the revenue from dining and buffet service on trains and transfer boats.

ITEMS TO BE CREDITED

(See special instructions, section 2)

(*a*) Revenue from lunches furnished.
(*b*) Revenue from meals furnished.
(*c*) Revenue from liquors furnished.
(*d*) Revenue from tobacco furnished.
(*e*) Revenue from cigars and cigarettes furnished.

NOTE.—The revenue from dining and buffet service on vessels which are operated in water-line service is provided for in the primary accounts included in general account II, Transportation—Water Line.

132. HOTEL AND RESTAURANT.

This account shall include the revenue from hotels, restaurants, and station lunch counters. (See general instructions, section 4.)

ITEMS TO BE CREDITED

(See special instructions, section 2)

(*a*) Revenue from the rent of rooms.
(*b*) Revenue from the use of baths.
(*c*) Revenue from the use of billiard tables.
(*d*) Revenue from the use of bowling alleys.
(*e*) Revenue from lunches furnished.
(*f*) Revenue from meals furnished.
(*g*) Revenue from liquors furnished.
(*h*) Revenue from tobacco furnished.
(*i*) Revenue from cigars furnished.
(*j*) Revenue from cigarettes furnished.
(*k*) Revenue from newspapers furnished.
(*l*) Revenue from periodicals furnished.
(*m*) Revenue from tonsorial service.
(*n*) Revenue from laundry work.

NOTE.—This account shall not include the revenues from hotels and restaurants which are entirely distinct from the carrier's transportation plant and the cost of which is included in balance-sheet account No. 705, "Miscellaneous physical property."

133. STATION, TRAIN, AND BOAT PRIVILEGES.

This account shall include revenue from weighing, vending, and other automatic machines located at stations; from advertising at stations and on trains and on transfer boats; from the privilege of operating news stands at stations and selling papers, periodicals, fruit, etc., on trains and on transfer boats; from telephone companies for the privilege of installing and operating commercial telephones at stations; from the operation of eating houses and dining and buffet service on trains and transfer boats when such operation is conducted by individuals or companies other than railway companies and when the expenses incurred by the carrier in connection therewith are not separable from its regular operating expenses; and from similar sources.

NOTE.—The revenue from privileges on vessels operated in water-line service is provided for in the primary accounts included in general account II, Transportation—Water Line.

134. PARCEL ROOM.

This account shall include the revenue from the operation of parcel rooms.

135. STORAGE—FREIGHT.

This account shall include the revenue from the storage of freight.

136. STORAGE—BAGGAGE.

This account shall include the revenue from the storage of baggage.

137. DEMURRAGE.

This account shall include the revenue from the detention of cars incident to loading, unloading, reconsigning, and stops in transit upon the basis of lawful tariffs for demurrage.

138. TELEGRAPH AND TELEPHONE.

This account shall include the revenue from commercial telegraph and telephone operations; also amounts received from telegraph and telephone companies, whether as a proportion of

earnings or otherwise, for the privilege of transacting a commercial telegraph or telephone business in offices along the carrier's lines, when the carrier furnishes some service of employees whose pay is included in its operating expenses.

NOTE.—When a telegraph or telephone company rents the telegraph or telephone line of the carrier and pays all expenses incident to its maintenance and operation, the rent received shall be credited to income account No. 510, "Miscellaneous rent income."

139. GRAIN ELEVATOR.

This account shall include the revenue from the operation of grain elevators. (See general instructions, section 4.)

ITEMS TO BE CREDITED

(See special instructions, section 2)

(*a*) Revenue from the elevation of grain.
(*b*) Revenue from the storage of grain.
(*c*) Revenue from bagging grain.
(*d*) Revenue from screening grain.
(*e*) Revenue from blowing grain.
(*f*) Revenue from cooling grain.
(*g*) Revenue from clipping grain.
(*h*) Revenue from cleaning grain.
(*i*) Revenue from mixing grain.
(*j*) Revenue from transferring grain in elevators.
(*k*) Revenue from loading grain into and unloading grain from boats not covered by elevation charges.
(*l*) Revenue from trimming grain in boats when performed by elevator employees.
(*m*) Revenue from the sale of screenings and sweepings.
(*n*) Revenue from inspecting grain in elevators.

140. STOCKYARD.

This account shall include the revenue from stockyards. (See general instructions, section 4.)

ITEMS TO BE CREDITED

(See special instructions, section 2)

(*a*) Revenue from feeding live stock.
(*b*) Revenue from watering live stock.
(*c*) Revenue from bedding live stock.
(*d*) Revenue from otherwise caring for live stock.
(*e*) Revenue from shearing sheep.
(*f*) Revenue from dipping sheep and cattle.
(*g*) Revenue from stabling horses.
(*h*) Revenue from inspecting live stock.

141. POWER.

This account shall include the revenue from the sale of electric current and other power. (See general instructions, section 4.)

142. RENTS OF BUILDINGS AND OTHER PROPERTY.

This account shall include the revenue from the exclusive use of buildings and other property or portions thereof, such as depot and station grounds and buildings, general and other offices, wharves, ferry landings, elevators, stockyards, fuel yards, enginehouses, repair shops, and section and other houses, when the property is operated and maintained in connection with the property used in the carrier's transportation operations and the expenses of maintaining and operating the rented portion can not be separated from the expenses of that portion used by the carrier. (See general instructions, section 4.)

NOTE.—When the expenses of maintaining and those of operating property rented to others are separable, the rents received shall be credited and the expenses of maintenance and operation shall be charged to appropriate income accounts.

143. MISCELLANEOUS.

This account shall include the revenue from railway operations not provided for elsewhere. (See general instructions, section 4.)

LIST OF ITEMS

(See special instructions, section 2)

(*a*) Amounts received for privilege of cutting hay along the right of way.

(*b*) Commissions received for collecting premiums on insurance policies from employees and installment payments for books, watches, etc., sold by dealers to employees.

(*c*) Profit from jobbing and installing electric power lines for others.

(*d*) Revenue from boat demurrage.

(*e*) Revenue from freight and passenger privileges over a carrier's wharves and docks.

(*f*) Revenue from garnishee fees.

(*g*) Revenue from operation of coal and ore wharves, cold-storage plants, coal-storage plants, cotton-compress plants, and wood-preserving plants. (See general instructions, section 4.)

(*h*) Revenue from privilege of mooring and anchoring boats at wharves and docks.

(*i*) Revenue from sale of cinders produced by carrier.

(*j*) Revenue from use of carrier's bridges by pedestrians, street car lines, vehicles, etc.

(*k*) Revenue from temporary use of carrier's tracks for detouring trains, etc.

(*l*) Revenue from use of tracks incident to delays in loading or removing freight.

(*m*) Revenue from water furnished boats from water stations operated by the carrier.

(*n*) Revenue from weighing cars.

(*o*) The carrier's proportion of gross revenue from operation of clergy bureaus.

(*p*) The carrier's proportion of gross revenue from operation of ticket validation agencies.

(*q*) Unclaimed deposits for prepaid transportation.

NOTE.—When a bridge of one carrier is jointly used by itself and another carrier and such use is paid for on the basis of flat rent or charge per train-mile or toll per passenger, per ton, or per car, the compensation therefor shall be credited to the appropriate joint facility, operating expense, and income accounts.

IV. JOINT FACILITY.

151. JOINT FACILITY—CR.

This account shall include the carrier's proportion of revenue collected by others in connection with the operation of joint tracks, yards, terminals, and other facilities.

NOTE A.—The purpose of this account is to show the amounts of revenue from the operation of joint tracks, yards, terminals, and other facilities operated by other companies, which under existing contracts or agreements are credited by the operating company to the tenant companies which participate therein. The bill rendered by any creditor company against a debtor company for the latter's proportion of the expense of maintenance and operation of joint facilities, which includes also a credit covering a proportion of the revenue to be paid over, shall show the distribution of the credit for such proportion of the revenue separately from the distribution of the expense of operation.

NOTE B.—No credits shall be made to this account representing amounts creditable by the operating company to primary accounts Nos. 101 to 109, 111 to 116, 121 to 128, 131, 132, 139 to 141.

152. JOINT FACILITY—DR.

This account shall include that proportion of revenue from the operation of joint tracks, yards, terminals, and other facilities, which is creditable to other companies.

NOTE A.—The purpose of this account is to show the amount of revenue from operation of a terminal company or other carrier which, under the terms of existing contracts or agreements covering the joint use of tracks, yards, and other facilities, is credited to other carriers that participate in the benefits from such joint use. The bill rendered by a creditor company against a debtor company for the latter's proportion of expense of maintaining and operating joint facilities, which includes a credit covering the debtor company's proportion of the revenues from operation of such joint facilities, shall indicate separately the proper distribution of both the revenues and the expenses included in the bill, and such distribution shall be adhered to by the debtor.

NOTE B.—No debits shall be made to this account representing amounts creditable by the operating company to primary accounts Nos. 101 to 109, 111 to 116, 121 to 128, 131, 132, 139 to 141.

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SPECIAL INSTRUCTIONS

1. Accounts for Operating Expenses.—The accounts prescribed for operating expenses are designed to show expenses of furnishing transportation service, including the expenses of maintaining the plant used in the service. The accounting shall be as nearly as practicable upon the basis of accruals; however, the option is allowed the carrier of omitting charges to the ac-

counts provided for the depreciation of fixed improvements and of including the depreciation (ledger value less salvage) of such property in the appropriate repair accounts at the time the property is converted or retired for replacement.

Fixed improvements means structures which are fixed as to location, such as tunnels, bridges, buildings, earthworks, etc.

2. MAINTENANCE EXPENSES.—The accounts provided for maintenance of fixed improvements and of equipment are designed to show the cost of repairs and also the loss through depreciation of the property used in operations, including all such expenses resulting from ordinary wear and tear of service, exposure to the elements, inadequacy, obsolescence, or other depreciation, or from accident, fire, flood, or other casualty.

The cost of repairs which has been provided for in the several repair accounts shall include the cost of inspecting to determine the repairs necessary, and of adjusting, repairing, or replacing parts, both of fixed improvements and of equipment, such as the repairing of locomotives, cars, frogs and switches, or the replacing of ties, rails, etc., in tracks; the cost of inspecting and testing after repairs have been made, such as the testing of locomotives after repairs to determine that the repairs have been properly made, and the running of repaired locomotives light in order to break them in for regular service; incidental costs of repairs, such as the construction or removal of false work; cost of relocation of fixed improvements; cost of demolishing retired fixed improvements (except those retired and not replaced) and disposing of the wreckage therefrom when the property is demolished by or for the account of the carrier; cost of protecting service during the progress of addition and betterment work; cost of laying out, cleaning, grading, draining, fencing, mowing, and beautifying grounds pertaining to buildings; repairing sidewalks, driveways, and streets within or adjacent to such grounds; cost of removing snow from the roofs of buildings (when not removed by those employed in the buildings); cost of the periodical restoration of seasonal features, such as gardens, shrubbery, and lawns; cost of operating hothouses in connection with the work of beautifying grounds; cost of restoring sidewalks, driveways,

lawns, etc., in grounds after addition and betterment work (see general instructions for the classification of investment in road and equipment, section 12); and cost of clearing and removing casual incumbrances, such as ice, snow, and fallen timber.

The difference between the depreciation upon fixed improvements retired and replaced and the amount provided for through the depreciation accounts, shall be included in the repair accounts when the property is retired. Similar adjustments on account of equipment retired shall be included in the accounts for equipment retirements. (See classification of investment in road and equipment, general account II, Equipment.)

Distinct maintenance accounts have been provided for expenses of a general character, such as superintendence, stationery and printing, and injuries to persons, which, on account of established practice, it is deemed advisable to segregate.

3. Cost of Repairs.—It is intended that the repair accounts of this classification shall include the cost of labor, materials and supplies, work-train service, floating equipment work service, special machine service, contract work, privileges, protection from casualties, and other analogous items of expense in connection with the maintenance of the plant used in railway service. The several items of cost here referred to are defined as follows:

(*a*) *Cost of labor* includes amounts paid for the labor of the carrier's own employees. Except where otherwise specified in the text of the accounts, the cost of boarding, traveling, and other incidental expenses of employees shall be included in the accounts to which the pay of the employees is chargeable.

(*b*) *Cost of materials and supplies* includes the cost of materials and supplies, including small tools, at the point of free delivery, plus freight charges of foreign lines, and the costs of inspection and loading assumed by the carrier; also a proportion of store expenses (see section 16). It should not, however, include expenses of transportation over the carrier's line. In calculating the cost of materials used proper allowance shall be made for the value of unused portions and of cuttings, turnings, borings, etc., and for the value of the material recovered from property

repaired and from temporary tracks, scaffolding, cofferdams, and other temporary structures used in repair work.

(*c*) *Cost of work-train service* includes cost of labor of enginemen, trainmen, and enginehouse men, including the wages of engine crews and train crews held in readiness for such service; and the cost of fuel and other supplies consumed in connection with the operation of work trains.

(*d*) *Cost of floating equipment work service* includes cost of labor of crews, including wages of crews held in readiness for service; and the cost of fuel and other supplies consumed in connection with the operation of floating equipment work service.

(*e*) *Cost of special machine service* includes the cost of labor expended and of materials and supplies consumed in operating steam shovels, scrapers, rail unloaders, ballast unloaders, pile drivers, dredges, ditchers, weed burners, and other labor-saving machines; also rents paid for use of such machines.

(*f*) *Cost of contract work* includes amounts paid for work performed under contract by other companies, firms, or individuals and specific expenses incident to the award of the contract.

(*g*) *Cost of privileges* includes amounts paid for special privileges, such as the temporary use of public property or streets, in connection with the repairs of the property of the carrier. (Periodical payments for such privileges in connection with permanent use of public property for railway operations shall be included in the income accounts.)

(*h*) *Cost of protection from casualties* includes expenditures for protection against damage by fire, flood, etc., such as payments for discovery or extinguishment of fires, cost of detecting and prosecuting incendiaries, expense for witnesses in relation thereto, amounts paid to municipal corporations and others for fire protection, and other analogous items of expense in connection with repair work, but does not include insurance premiums paid to assure reimbursement for prospective losses.

4. Royalties on Appliances.—The royalties for patent rights on mechanical appliances used in repairs of equipment shall be included in the cost of the repairs.

5. Fixed Improvements Retired and Replaced.—The ledger value (less salvage and the credit balance in the accrued

depreciation account with respect to the property retired) of fixed improvements retired and replaced with property of like purpose, together with the cost of removing the property retired, shall be included in the accounts appropriate for the repairs of the property before retirement. (See section 7 of general instructions for the classification of investment in road and equipment.)

6. Distribution of Charges for Property Retired and Replaced.—In case the amount chargeable as operating expenses for property retired and replaced, as provided for in section 7 of the general instructions for the classification of investment in road and equipment, is relatively large and its inclusion would seriously distort the expense accounts for a single year, the carrier, if so authorized by the Commission, may charge the amount thereof to balance-sheet account No. 726, "Property abandoned chargeable to operating expenses," and distribute it thereafter, in accordance with the provisions of that account to the operating expenses of succeeding years.

If so authorized by the Commission, the carrier may charge to Profit and Loss any extraordinarily large item representing the cost of property retired and replaced, instead of charging such item to Operating Expenses. The carrier shall file with the Commission a statement of the cost and a description of the property retired and the reasons which, in its judgment, indicate the propriety of charging the cost of such property to Profit and Loss.

7. Charges to Operating Expenses for Fixed Improvements Converted.—In connection with the conversion of fixed improvements, the ledger value of property before conversion, plus the cost of conversion, less the sum of the estimated value of the property as converted, the amount included in the accrued depreciation account with respect to the property thus converted, and the salvage recovered, shall be charged to the accounts of this classification appropriate for repairs of the property before conversion. (See general instructions for the classification of investment in road and equipment, section 11.)

8. Depreciation of Fixed Improvements.—Depreciation accounts, in which to include uniform monthly charges to cover

the depreciation of fixed improvements, have been provided for the purpose of creating reserves which will meet or reduce the amounts otherwise chargeable, as may be appropriate, to operating expense or to profit and loss accounts to cover property retired. Such depreciation charges shall be based in each instance upon the percentage of the original cost (estimated if not known), ledger value, or purchase price of the property determined to be equitable by the carrier's experience and best sources of information as to the actual current loss from depreciation. A statement of the bases used by the carrier for computing these charges shall be included in its annual report to the Commission. Until further directed the use of depreciation accounts for fixed improvements is optional with the carrier. (See balance-sheet account No. 775, "Accrued depreciation.—Road.")

9. Joint Facility Accounts.—Accounts thus designated have been provided for the joint users of tracks, bridges, yards, wharves, stations, and other facilities to indicate the proper accounting for settlements which cover income and operating expenses in connection with the use of such facilities, and for settlements covering cost of yard service. When the compensation for the use of facilities is a fixed amount or is based upon a charge per passenger, ton, car, or other unit, it shall be fairly apportioned by the operating company among the joint facility operating expense and income accounts. The creditor shall show the distribution of these charges upon its bills, and such distribution shall be adhered to by the debtor.

Train service in connection with the line haul of traffic is not considered a joint facility operation, and the settlements between carriers covering items chargeable to accounts Nos. 392 to 403 shall not be included in the joint facility accounts.

10. Clearing Accounts.—In recognition of the fact that certain expenditures incident to the construction and the operation of property are not chargeable directly to any particular property investment or expense account, clearing accounts have been provided for the purpose of securing an equitable distribution of such items to the proper primary accounts. (See sections 11 to 17, inclusive.)

11. Gravel and Sand Pits and Quarries.—When a gravel

or sand pit or quarry is opened for operations likely to extend over a long period, an account shall be set up designated "Operations of gravel pit at ———," or "Operations of quarry at ———," as the case may be. To this account shall be charged—

(*a*) That part of the cost of the land in excess of its estimated value after the gravel, sand, or stone has been removed, the amount thus charged being concurrently credited to the property account in which the cost of the land is included.

(*b*) Amounts paid for the right to enter upon and remove ballast from land not owned by the carrier.

(*c*) The cost of sinking test holes.

(*d*) The expenses for clearing, stripping, draining, and ditching the land, and of moving and changing fences and buildings preparatory to opening the pit or quarry.

(*e*) The cost, in excess of the estimated salvage value, of rails and fastenings used in constructing tracks to and in the gravel pit or quarry, the estimated salvage being carried in an appropriate suspense account.

(*f*) The cost, in excess of the estimated salvage value, of ties and other material, and of labor expended on such tracks.

(*g*) The cost of labor and train service employed in producing, quarrying, and loading ballast, including the cost of operation, repairs, and depreciation of stationary engines, steam shovels, stone crushers, and other similar machinery, and the pay and expenses of watchmen.

(*h*) The cost of explosives and hand tools, and miscellaneous expenses.

(*i*) The cost of installing, operating, and maintaining signals and interlockers at gravel pits.

Credit to these accounts shall be made each month to cover the cost of ballast material produced during the month. The cost of production shall include the expenses directly assignable to the monthly output, plus a proportion of the expenses not directly assignable, such as cost of land, tracks, machinery, and interlockers. This latter amount shall be computed upon the basis of the ratio which the monthly output bears to the total estimated yardage to be taken from the pit.

When any portion of the product of such pits or quarries is

sold, the cost thereof shall be credited to this clearing account, and the profit thereon, if any, shall be credited to revenue account No. 143, "Miscellaneous."

12. Power Plant Operations.—The accounting for the expenses of maintaining and operating an electric, steam, or other power plant (both building and machinery) shall be determined by the purpose for which the power produced is used.

When the power plant is intended and used for producing power solely for the carrier's own operations and the cost of operating the plant is chargeable to clearing account "Shop expenses," or to any one specific account for operating expenses the expenses of maintenance shall be charged to the appropriate maintenance accounts, and the cost of operation to the account appropriate according to the use of the power.

When the power from such a plant is properly chargeable to more than one account, the expenses of maintaining and operating the plant shall be included in clearing account "Power plant operations." The expense of maintenance shall be cleared from that account to the appropriate maintenance accounts for operating expenses. The expenses of operation shall be apportioned to the appropriate accounts upon the basis of quantity of power used for the various purposes.

When a part of the power produced by a power plant is sold and the remainder is used in the carrier's own operations, the cost of maintaining and operating the plant shall be charged to a clearing account. The expense of maintenance shall be cleared from that account to the appropriate maintenance account in operating expenses. The proportion of the expenses of operation assignable to the power sold, on the basis of ratio of quantity of power sold to total quantity of power produced, shall be credited to this clearing account and charged to account No. 445, "Producing power sold." The remainder of the cost of operation shall be distributed to the appropriate expense accounts for the carrier's own operations, in the manner indicated in the preceding paragraphs.

When power plants are intended and used solely for furnishing power to others, the investment therein shall be included in balance sheet account No. 705, "Miscellaneous physical prop-

erty," and the operation shall not be included in the accounts of this classification. (See general instructions, section 4, and income account No. 534, "Expenses of miscellaneous operations.")

13. Power Substation Operations.—The plan outlined for the expenses of operating power plants shall be followed in accounting for the operations of substations.

14. Maintaining Transmission and Distribution Systems.—The accounting for the maintenance of transmission systems and distribution systems shall be in accordance with instructions pertaining to power plant operations.

15. Shop Expenses.—A clearing account entitled "Shop expenses" shall be kept, to which shall be charged items of expense at shops, enginehouses, repair tracks, and other places at which mechanical work is done, not assignable directly to specific accounts. Such expenses shall be apportioned among the various accounts affected. The basis of distribution shall be the relative proportion which the total amount of charges to "Shop expenses" bears to the total of the directly distributed labor. To avoid monthly fluctuations in the ratio of shop expenses to the total of distributed labor, carriers are permitted to make the monthly apportionment on the basis of a percentage of the distributed labor, provided the shop expense account be adjusted and closed out at the end of each year. The expenses assignable to this account are as follows:

(*a*) *General shop employees.*—The pay of general foremen in small shops, who exercise direct supervision over all departments unassisted by department foremen; the pay of department foremen, assistant department foremen, other supervising or directing employees, and their clerks; pay of chauffeurs and oilers; pay of sweepers, cleaners, roustabouts, and other unskilled laborers employed in general work in and about shops and shop grounds; pay of watchmen, gatekeepers, and policemen at shops, repair tracks, and other places at which mechanical work is done; pay of employees while attending fires or fire drills; and pay of employees while making, repairing, or having charge of small shop tools.

(*b*) *Power.*—The cost of fuel used in steam and other power

plants in producing power for shops and for other places at which mechanical work is done; cost of oil, grease, waste, and other material used in the operation of such power plants; pay of stationary engineers, firemen, electricians, coal handlers, and other employees engaged in production of power; cost of carbon brushes, fuses, lamps, picks, pokers, scuttles, shovels, and other small tools and supplies; and cost of water and power purchased. (See section 12.)

(*c*) *Heating.*—The cost of fuel and other supplies used for heating shops and other places at which mechanical work is done, shop offices, watchmen's and gatekeepers' boxes, and inspectors' shanties; and the pay of firemen, coal handlers, and other employees engaged in operating heating boilers. (See section 12.)

(*d*) *Lighting.*—The cost of electric current, gas, oil, torches, lamp burners, lamp chimneys, lamps not permanently attached to buildings, incandescent lamps and carbons, and other material used in lighting shops and shop offices, repair tracks, and other places at which mechanical work is done, and cost of material used and labor expended in operating electric-light plants and repairing electric-light and other lamps at shops. (See section 12.)

(*e*) *Switching locomotives.*—All expenses, including wages, fuel, and supplies, of operating switching locomotives when exclusively assigned to switching service at shops. (The expenses of incidental switching at shops by locomotives in transportation switching service shall be charged to appropriate transportation accounts.)

(*f*) *Shop supplies.*—Fuel for forge and other shop work; supplies and small tools used by mechanics on miscellaneous work and not durable; test-room and laboratory supplies used in connection with shop work; lubricating material for shop machinery and tools; water used at shops and shop offices, repair tracks, and other places at which mechanical work is done; and other supplies used generally in shop work.

LIST OF SUPPLIES AND SMALL TOOLS

Acid.
Adzes.
Ammonia.
Auger bits.
Augers.
Axes.
Basins.
Bath brick.
Battery brushes.
Beeswax.
Bell cord.
Bluestone.
Bone, granulated.
Borax.
Bottles.
Braces and bits.
Brooms.
Brushes, dust.
Brushes, file.
Brushes, oil.
Brushes, paint.
Brushes, scrub.
Brushes, sweeping.
Brushes, varnish.
Brushes, wall.
Brushes, whitewash.
Brushes, window.
Buckets.
Carpenter tools furnished apprentices.
Casehardening compound.
Cement, belt.
Chalk.
Chalk lines.
Chamois skins.
Charcoal.
Chisels.
Clamps, hand.
Coal picks.
Compound for B. S. hammers.
Compound for grinding.
Compound for hydraulic jacks.
Compound for welding.
Corks.
Cosmic to prevent rust.
Crayon.
Cups, tin.
Cushion beaters.
Dippers.
Disinfectants.
Ditching lines.
Drill bits.
Drinking cups.
Drinking glasses.
Dustpans.
Emery.
Emery boxes.
Emery cloth.
Emery paper.
Faucets.
File cards.
Files.
Fire hooks for stationary boilers.
Fire shovels for stationary boilers.
Flags.
Flannel, canton.
Forks.
Forks, coke.
Funnels.
Gimlets.
Glue.
Gluepots.
Glycerin.
Graphite.
Grindstones.
Ground glass.
Hack-saw blades.
Hammers.
Hammers, babbitt.
Hand leathers.
Handles for tools.
Hatchets.
Hoes.
Keel.
Lampblack.
Lead.
Lye.
Mallets.
Marking brushes.
Marking pots.
Measures, liquid.
Mineral paste.
Mop handles.
Mops.
Muslin.
Nippers.
Oil cans.
Oilstones.
Padlocks.
Paint pots,

Picks.
Pipe-joint grease.
Pliers.
Plumbago.
Polish.
Polish, stove.
Potash.
Prisms.
Rakes.
Rasps.
Ratchet braces.
Red lead.
Resin.
Rope.
Rules.
Sal ammoniac.
Sand soap.
Sandpaper.
Saw blades.
Saws, hand.
Scoops.
Screw drivers.
Screws.
Shellac.
Shovels.
Slate pencils.
Slates.
Sledges.
Soap.
Soda.
Solder.
Soldering fluid.
Spelter solder.
Spigots for oil barrels.
Spirit-level vials.
Spirit levels.
Sponges.
Sprinkling cans.
Squares.
Squirts (lubricating).
Stencil brushes.
Tacks.
Tape lines.
Tapes, metallic.
Tool steel for small hand tools.
Tripoli.
Trucks.
Twine.
Washbasins.
Wheelbarrows.
Whetstones.
White lead.
Whiting.
Window cloths.
Wire.
Wire brushes.
Wrenches.
Zinc cakes.
Zincs.

(*g*) *Incidental expenses.*—Watchmen's uniforms, clocks, and call boxes; traveling expenses connected with the operation of shops and not directly chargeable to other accounts; removal of snow and ice from transfer tables and shop yards; cleaning of privy vaults; horse keep; cost of ice for shops; and other undistributed shop expenses.

16. Material Store Expenses.—To a clearing account called "Material store expenses" shall be charged expenses in connection with purchasing, handling, and storing material in and distributing it from the company's storehouses, including the pay of officers and employees in the purchasing and store departments and their traveling, office, and other expenses; also all expenses, including wages, fuel, and supplies, of operating switching locomotives when exclusively assigned to the service of switching at material storehouses. (Expenses of incidental

switching at material yards by locomotives in regular switching service shall be charged to the appropriate transportation accounts.) The pay and expenses of men employed in purchasing or inspecting a single class of material, such as ties, shall be added as store expenses to the cost of that particular material.

The total amount of storehouse expense charged to this account shall be so distributed among the accounts to which material has been charged that the amounts thus distributed will be, for each account, in proportion to the value of the material issued chargeable thereto, except that the amount representing the purchasing department expenses shall be apportioned on the value of the material issued which was purchased by that department. To avoid monthly fluctuations in the ratio of store expenses to the value of material purchased or issued, carriers may make a monthly apportionment on the basis of fair percentage rates, provided the store expense account be adjusted and closed out at the end of each year.

17. Stationery Store Expenses.—A clearing account entitled "Stationery store expenses" shall be kept, to which shall be charged expenses in connection with purchasing, handling, and storing stationery, and for distributing it from the stationery stores, including the pay of officers and employees in the stationery store department and their traveling, office, and other expenses. The amounts charged to this account shall be apportioned to the accounts to which is charged stationery issued from the store, upon the basis of the charges to these accounts for such stationery. To avoid monthly fluctuations in the ratio of store expenses to the value of material issued or purchased carriers may make a monthly apportionment on the basis of fair percentage rates, provided the stationery store expense account be adjusted and closed out at the end of each year.

18. Insurance.—Provision has been made in each of the general accounts for premiums paid and amounts set aside for fire and other insurance. Amounts of insurance recovered on account of losses shall be credited to the accounts to which the losses are chargeable.

19. Equalization of Expenses.—For the purpose of equalizing the monthly charges for the repairs of fixed improvements

and equipment the carrier may include each month in the appropriate primary repair accounts a uniform proportion of the amount of authorized estimates of such expenses for the fiscal or calendar year. In a like manner, the authorized estimates of expenses on account of personal injury or loss and damage liability, for stationery and printing, and for advertising may be equalized in the monthly accounts for the fiscal or calendar year. If the carrier has been unable to carry out its program for repairs and does not adjust its accounts to conform to the actual expenditures, it may carry forward the balances and treat them as provided in section 20, relating to balances in operating reserves. If, on account of claims for personal injury or loss and damage being unsettled at the close of the year, the accounts for such expenses are not adjusted, the balances carried forward in the operating reserve account shall be analyzed as also provided for in section 20 of these instructions.

Charges for stationery and printing, and for advertising, for a fiscal or calendar year shall be adjusted to the actual expenses.

20. Balances in Operating Reserves.—If, at the end of a fiscal year, balances remain in operating reserves, the carrier shall indicate in detail in a formal report to the Commission the amounts therein, and the conditions causing the carrying forward of such balances, except as to balances applicable to personal injury or loss and damage liability, for which balances the carrier shall preserve in its files the details upon which such estimates were based. Separate records shall be kept of the operating reserve accounts for each year.

21. Subprimary Accounts for Water Lines and Electric Divisions.—When a carrier operates a water line and desires to set up subprimary accounts under the primary accounts for such operations contained in this classification, the subprimary accounts shall conform to the accounts prescribed in the classification of operating expenses of carriers by water. When the carrier operates an electric division and desires to set up subprimary accounts under the primary accounts contained in this classification, the subprimary accounts shall conform to the accounts prescribed in the classification of operating expenses of electric railways.

22. Interpretation of Item Lists.—Lists of "items," "details," etc., have been given as a part of this classification for the purpose of clearly indicating the application of the accounting rules in specific cases. The lists in every case are to be considered as merely representative and not as excluding from any account analogous items which happen to be omitted from the list appended. On the other hand, the appearance of an item in a list warrants the inclusion of such item in the account concerned only when the text of the account also indicates inclusion, inasmuch as the same item frequently appears in more than one list—for example, the item of blank books under accounts Nos. 276, 334, 358, 410, and 458—and the proper charge in any one instance must be determined by the text of the account.

TEXT PERTAINING TO OPERATING EXPENSE ACCOUNTS

1. MAINTENANCE OF WAY AND STRUCTURES.

The primary accounts included in this general account are designed to show the expenses of maintaining fixed improvements which are devoted to railway operations, with the exception of shop machinery, power plant machinery, and power substation apparatus, the expenses of maintaining which are includible in general account II, Maintenance of Equipment.

The accounts for maintenance of way and structures shall be kept in such manner as to show separately, by primary accounts, the expenses directly assignable to sleeping-car operations, water-line operations, dining and buffet service, hotels and restaurants, grain elevators, stockyards, producing power sold, and other miscellaneous operations.

201. SUPERINTENDENCE.

This account shall include:

Pay of Officers.—The pay of officers directly in charge of or engaged in the maintenance of roadway and structures.

LIST OF OFFICERS

(See special instructions, section 22)

Vice president.
Assistant vice president.
General manager.
Assistant general manager.
General superintendent.
Assistant general superintendent.
Chief engineer.
Engineer.
Division engineer.
Bridge engineer.
Chief signal engineer.
Assistant engineers.
Architect.
Roadmaster.
Assistant roadmaster.
Master carpenter.
Assistant master carpenter.
Master mason.
Superintendent of roadway structures.
Superintendent of scales.
Inspector of maintenance.
Building inspector.
Inspector of roadway stores.
Supervisor.
Assistant supervisor.
Fire chief.
Fire inspector.
Sanitary inspector.

PAY OF CLERKS AND ATTENDANTS.—The pay of clerks and other employees in the offices and on the business cars of officers whose pay is chargeable to this account.

LIST OF EMPLOYEES

(See special instructions, section 22)

Chief clerk.
Draftsmen.
Clerks.
Stenographers.
Transitmen.
Levelmen.
Rodmen.
Chainmen.
Axmen.
Janitors.
Messengers.
Cooks.
Porters.

OFFICE AND OTHER EXPENSES.—Office expenses and other expenses of officers and employees whose pay is chargeable to this account; also amounts paid detective agencies and others for investigations in connection with maintenance of way and structures.

ITEMS OF EXPENSE AND SUPPLIES

(See special instructions, section 22)

Atlases and maps.
Books for office use.
Business car service.
Fees and dues in associations.
Furniture repairs and renewals.
Heating.
Lighting.
Official train service.
Periodicals and newspapers.
Power.
Provisions for business cars.
Rent of offices.
Repairs of rented offices.
Telegraph service.
Telephone service.
Traveling expenses.
Water and ice.

SUPPLIES FOR TECHNICAL ASSISTANTS

(See special instructions, section 22)

Barometers.
Books and maps.
Boxes for materials and instruments.
Cameras.
Camp equipage.
Chains for surveyors.
Compasses.
Curves.
Drafting boards.
Drafting instruments.
Field glasses.
Field notebooks.
Hatchets.
Levels.
Magnets.
Magnifiers.
Marking chalk.
Oilstones.
Paper, blue-print.
Parallel rules.
Photographic supplies.
Plane tables.
Planimeters.
Plummets.
Protractors.
Ranging poles.
Reading glasses.
Rod for surveyors.
Scales.
Section liners.
Sextants.
Slide rules.
Stakes.
Straightedges.
Tally registers.
Tape lines.
Tee-squares.
Telescopes.
Thermometers.
Thumb tacks.
Tracing linens.
Transits.
Traverse tables.
Triangles.
Tripods.
Verniers.

NOTE A.—When employees designated above are engaged on construction or other work not chargeable to Maintenance of Way and Structures, their pay and expenses while thus employed shall be charged to the specific work on which engaged.

NOTE B.—When officers designated above have supervision over more than one department, their salaries, the pay of their clerks and attendants, and their office and other expenses shall be apportioned equally among the departments over which they have supervision.

NOTE C.—No part of the pay and expenses of the officers and employees designated above shall be charged to other primary accounts under Maintenance of Way and Structures.

NOTE D.—The cost of stationery for maintenance of way and structures offices is chargeable to account No. 276, "Stationery and printing."

202. ROADWAY MAINTENANCE.

This account shall include:

CARE OF ROADBED.—The cost of repairing roadbed.

ITEMS OF ROADWAY EXPENSE

(See special instructions, section 22)

Blasting rocks.
Building temporary tracks around slides and washouts.
Constructing and cleaning tile ditches, open ditches and drains.
Crowning track ties with retaining earth.
Filling borrow and cattle pits.
Keeping tracks clear and repairing subgrade in case of washouts.
Landscape gardening along roadway.
Oiling roadbed.
Removing temporary tracks around slides and washouts
Repairing roadbed damaged by washouts.
Removing dangerous rocks.
Removing slides.
Restoring roadbed, cuts, fills, and embankments to standard width.
Sloping cuts.
Sodding roadway.

NOTE A.—The cost of drains or sewers laid under tracks shall be included in account No. 208, "Bridges, trestles, and culverts." The cost of landscape gardening within the limits of the grounds around buildings shall be included in the appropriate repair accounts for buildings.

GENERAL CLEANING.—The cost of cutting, removing, and disposing of brush, grass, and weeds from the right of way; plowing and digging fireguards; dressing ballast and cutting sod lines; removing miscellaneous scrap, drift, cinders, dirt, and other material from right of way and from road and terminal tracks (including tracks at stations, engine yards, and car yards); and cleaning streets used as roadways.

NOTE B.—Loading ashes at engine-yard tracks shall be charged to the enginehouse expense accounts.

WATCHING ROADWAY.—The cost of extinguishing fires on right of way and adjacent thereto, and of walking, watching, and patrolling tracks and right of way.

NOTE C.—The cost of watching and patrolling bridges, buildings, and miscellaneous property is provided for in accounts specifically relating to such property.

BANK PROTECTION.—Cost of protecting banks by repairing retaining walls, riprap, piling, piers, dikes, breakwaters, and revetments, and by changing the channels of streams to prevent cutting, washing, and sliding of embankments.

TRAIN SERVICE.—The cost of work-train service in connection with work pertaining to roadway maintenance.

TRACK CHANGES.—The cost of roadway work in connection with taking up and relocating tracks.

OTHER EXPENSES.—The cost of roadway work not provided for elsewhere, such as official roadway inspection train service and premiums in connection with roadway maintenance.

NOTE D.—Tools and supplies used by repair men and watchmen in roadway maintenance service shall be charged to account No. 271, "Small tools and supplies."

(Note carefully special instructions, sections 2 and 3.)

203. ROADWAY—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of roadway. (See special instructions, section 8.)

204. UNDERGROUND POWER TUBES.

This account shall include the cost of repairing power tubes or conduits for underground contacts of electric railways or for underground cables of cable traction railways.

(Note carefully special instructions, sections 2 and 3.)

DETAILS OF UNDERGROUND CONTACT CONSTRUCTION

(See special instructions, section 22)

Concrete work.	Pulleys.
Drain pipes.	Sheaves.
Manhole covers.	Slot rails.
Manhole frames.	Yokes.

NOTE.—The cost of replacing track rails, other track material, electric contract rails, and insulators shall be charged to the accounts provided for such expenses and not to this account.

205. UNDERGROUND POWER TUBES—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of underground power tubes. (See special instructions, section 8.)

206. TUNNELS AND SUBWAYS.

This account shall include the cost of repairing, ventilating, lighting, and watching tunnels and subways for the passage of trains, and the cost of special tools and supplies furnished in connection with the work.

(Note carefully special instructions, sections 2 and 3.)

NOTE.—The cost of repairs to signals and to roadway and tracks in tunnels shall be charged to the appropriate maintenance of way accounts and not to this account.

207. TUNNELS AND SUBWAYS—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of tunnels and subways. (See special instructions, section 8.)

208. BRIDGES, TRESTLES, AND CULVERTS.

This account shall include the cost of repairing (including fuel and supplies used) and watching bridges, trestles, and culverts, including altering and bracing during process of filling, removing old structures in connection with the construction of new structures, dredging and cleaning water channels for protection, and cleaning culverts.

The bridges, trestles, and culverts referred to in this account include only structures which carry the carrier's own tracks.

(Note carefully special instructions, sections 2 and 3.)

DETAILS OF BRIDGE STRUCTURES

(See special instructions, section 22)

Abutments.
Bridge signs.
Cofferdams.
Concrete and masonry ends for culverts.
Cribs.
Decking, including gravel for fire protection.
Dike protection.
Drainage systems.
Draw protection.
Drawbridge engines and machinery.
False work.
Guard timbers.
Ice breakers.
Painting.
Pier protection.
Piers and foundations.
Pipe culverts.
Retaining walls.
Riprap around abutments.
Riprap at culvert ends.
Supports.
Water channels.
Waterproofing.
Wing dams.
Wing walls.

NOTE.—When a part or the entire structure of a bridge or trestle is converted, by filling, into an earth embankment, the ledger value of the structure, or of the portion thereof filled, shall be credited to road and equipment account No. 6, "Bridges, trestles, and culverts." In case the bridge is used in lieu of a temporary trestle for the purpose of filling, the estimated cost of such a temporary trestle shall be changed to road and equipment account No. 3, "Grading." The ledger value of the structure, or portion thereof, filled, less the value of the salvage and the estimated cost of trestle charged to road and equipment account No. 3, "Grading," shall be charged to this account.

209. BRIDGES, TRESTLES, AND CULVERTS—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of bridges, trestles, and culverts. (See special instructions, section 8.)

210. ELEVATED STRUCTURES.

This account shall include the cost of repairing elevated structures and foundations of elevated railway systems.

(Note carefully special instructions, sections 2 and 3.)

211. ELEVATED STRUCTURES—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of elevated structures and foundations of elevated railway systems. (See special instructions, section 8.)

212. TIES.

This account shall include the cost of cross, switch, bridge, and other track ties used in the repairs of tracks.

(Note carefully special instructions, sections 2 and 3.)

NOTE A.—The cost of labor for unloading, distributing, and putting ties in tracks, the cost of work-train service in connection with the distribution of the ties laid, and the cost of picking up and concentrating or disposing of the ties released shall be charged to account No. 220, "Track laying and surfacing."

NOTE B.—The excess cost of metal ties applied in place of wooden ties over the cost at current prices of replacing in kind the wooden ties removed shall be charged to road and equipment account No. 8, "Ties."

NOTE C.—The cost of ties used for repairs of tracks in quarries and ballast pits shall be included in the appropriate clearing accounts, and of ties used for repairs of tracks on car floats in account No. 323, "Floating equipment—Repairs."

213. TIES—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of ties. (See special instructions, section 8.)

214. RAILS.

This account shall include the cost (less salvage) of rails used in the repairs of tracks; also the difference between the cost (at current prices at time of removal) of heavy rails removed and the cost of lighter rails applied in repairs of tracks.

(Note carefully special instructions, sections 2 and 3.)

NOTE A.—The cost of labor for unloading, distributing, and putting rails in tracks, the cost of work-train service in connection with the distribution of the rails laid, and the cost of picking up and concentrating the rails released shall be charged to account No. 220, "Track laying and surfacing."

NOTE B.—The excess cost of heavier rails or rails of improved quality or type applied in repairs of tracks over the cost, at current prices, of rails of the weight, type, and quality released shall be charged to road and equipment account No. 9, "Rails."

NOTE C.—The cost of rails used for repairs of tracks in quarries and ballast pits shall be included in the appropriate clearing accounts, and of rails used for repairs of tracks on car floats to account No. 323, "Floating equipment—Repairs."

215. RAILS—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of rails. (See special instructions, section 8.)

216. OTHER TRACK MATERIAL.

This account shall include the cost (less salvage) of all track material used in the repairs of tracks, other than ballast, ties, and rails.

(Note carefully special instructions, sections 2 and 3.)

ITEMS OF OTHER TRACK MATERIAL

(See special instructions, section 22)

Angle bars.
Anticreepers.
Connecting rods.
Derails.
Frog and guard-rail blocking.
Frogs.
Guard-rail clamps.
Guard-rail fasteners.
Guard rails.
Main rods.
Nut locks.
Nuts.
Offset bars.
Rail braces.
Rail chairs.
Rail clips.
Rail joints.
Rail rests.
Rail shims.
Rail splices.
Splice bars.
Step chairs.
Switch chairs.
Switch crossings.
Switch lamps.
Switch locks and keys.
Switch points.
Switch stands.
Switch-stand bolts.
Switch targets.
Switches.
Tie plates.
Tie plugs.
Tie-rods.
Track bolts.
Track insulators.
Track spikes.

NOTE A.—The cost of labor and train service for distributing, unloading, and applying "other track material" used, and the cost of picking up and concentrating the material released shall be charged to account No. 220, "Track laying and surfacing."

NOTE B.—The excess cost of improved or heavier track material applied for repairs of tracks, under a definite plan of changing standards, over the cost, at current prices, of material of the same weight and quality as that released, shall be charged to road and equipment account No. 10, "Other track material."

NOTE C.—The cost of "other track material" used for repairs of tracks in quarries and ballast pits shall be included in the appropriate clearing accounts, and of such track material used for repairs of tracks on car floats in account No. 323, "Floating equipment—Repairs."

217. OTHER TRACK MATERIAL—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of "other track material." (See special instructions, section 8.)

218. BALLAST.

This account shall include the cost of gravel, stone, slag, cinders, sand, and like ballast material used in the repairs of tracks, including the cost of work-train service and of unloading the material. (See special instructions, section 11.)

When the ballast taken from a pit is not sufficient to justify the opening of a clearing account, the cost of gravel and quarry rights and cost of sinking test holes shall be included in this account.

(Note carefully special instructions, sections 2 and 3.)

NOTE A.—The cost of loading cinders at ash pits shall be charged to account No. 388, "Enginehouse expenses—Yard," or to account No. 400, "Enginehouse expenses—Train." No charge to cover the value of cinders accumulated by the carrier shall be included in this account.

NOTE B.—The cost of labor putting ballast in tracks shall be included in account No. 220, "Track laying and surfacing."

NOTE C.—The excess cost of ballasting tracks over the cost of replacing in kind to its maximum height and width the ballast previously put in the roadbed shall be charged to road and equipment account No. 11, "Ballast."

NOTE D.—Earth placed to form a crown in the middle of the track is not to be considered as ballast.

NOTE E.—The cost of ballast used for repairs of temporary tracks, such as gravel pit or quarry tracks, shall be included in the appropriate clearing accounts.

219. BALLAST—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of ballast. (See special instructions, section 8.)

220. TRACK LAYING AND SURFACING.

This account shall include:

APPLYING BALLAST.—The cost of labor expended in preparing the roadbed, and applying ballast for repairs of tracks.

APPLYING TIES.—The cost of labor expended in unloading, distributing, and applying ties for repairs of tracks; in gathering up and disposing of the ties released; and in respacing ties.

APPLYING RAILS.—The cost of labor expended in unloading, distributing, cutting, slotting, drilling, adzing for, and laying rails for repairs of tracks; in gathering up and loading rails released; and in adjusting for expansion and contraction of rails.

APPLYING OTHER TRACK MATERIAL.—The cost of labor expended in unloading, distributing, and applying other track material for repairs of tracks; and the cost of gathering up and loading the material released.

TRACK MAINTENANCE.—The cost of labor expended in alining, surfacing, gauging, and shimming tracks; in tightening track bolts and track spikes; in restoring rails, ties, and ballast in case of washouts, derailments, and wrecks; and in taking up tracks.

TRAIN SERVICE.—The cost of work-train service (except work trains distributing ballast material) in connection with work pertaining to track laying and surfacing.

TRACK CHANGES.—The cost of track work (exclusive of the cost of track material) in taking up and relocating tracks.

OTHER EXPENSES.—The cost of track laying and surfacing work not provided for elsewhere, and expenses, such as repairing and replacing rail rests, official track inspection train service, and premiums in connection with track repairs.

(Note carefully special instructions, sections 2 and 3.)

NOTE.—Tools and supplies used by track repair men and watchmen shall be charged to account No. 271, "Small tools and supplies."

221. RIGHT-OF-WAY FENCES.

This account shall include the cost of repairing right-of-way fences (including permanent snow and sand fences in lieu of ordinary right-of-way fences), farm gates, cattle guards, wing fences, aprons, and hedges, except those around stockyards, fuel stations, station and shop grounds, and building sites.

(Note carefully special instructions, sections 2 and 3.)

222. RIGHT-OF-WAY FENCES—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of right-of-way fences. (See special instructions, section 8.)

223. SNOW AND SAND FENCES AND SNOWSHEDS.

This account shall include the cost of repairing permanent and portable snow and sand fences and snowsheds for the protection of tracks from snow and sand, including rent of land for placing snow and sand fences.

(Note carefully special instructions, sections 2 and 3.)

NOTE A.—The cost of repairing permanent snow and sand fences which take the place of right-of-way fences shall be included in account No. 221, "Right-of-way fences."

NOTE B.—The cost of setting up, taking down, and storing portable snow and sand fences shall be included in account No. 272, "Removing snow, ice, and sand."

224. SNOW AND SAND FENCES AND SNOWSHEDS—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of snow and sand fences and snowsheds. (See special instructions, section 8.)

225. CROSSINGS AND SIGNS.

This account shall include the cost of repairing farm passes, highway crossings, and crossings of other railways crossing the carrier's right of way, except railways crossing at grade; also cost of repairing track signs.

(Note carefully special instructions, sections 2 and 3.)

DETAILS OF GRADE CROSSINGS

(See special instructions, section 22)

Batteries, with track instruments and connections, including battery renewals.
Crossing gates.
Crossing signal bells.
Hose for sprinkling grade crossings.
Paving.
Planking.
Soil crossing drains.
Watch houses at crossings.
Warning signals.
Water for sprinkling grade crossings.
Water pipes.

DETAILS OF OVERGRADE CROSSINGS

(See special instructions, section 22)

Bridge substructures.
Bridge superstructures.
Decking, including roadways.
Drainage systems.
Piers, including foundations.
Retaining and wing walls, including foundations.

DETAILS OF UNDERGRADE CROSSINGS

(See special instructions, section 22)

Drainage systems.
Retaining walls, outside of bridge abutments.
Roadways and sidewalks.
Curbing.

LIST OF SIGNS

(See special instructions, section 22)

Boundary signs.
Mile signs.
Monument stones.
Overhead-bridge caution signs.
Section signs.
Slow or stop signs.
Subdivision boards.
Tunnel caution signs.
Water station signs.
Water trough signs.
Whistle signs.
Yard-limit signs.

NOTE A.—The cost of repairing shop and station overgrade footbridges and subways not public highways shall be included in repairs of such buildings.

NOTE B.—The cost of repairing a bridge or other structure which carries the track of another carrier over the accounting carrier's tracks shall be included in this account. The cost of repairing bridges or trestles, carrying the carrier's tracks over roads, highways, or other railways, shall be charged to account No. 208, "Bridges, trestles, and culverts."

NOTE C.—The cost of repairing bridge signs shall be included in account No. 208, "Bridges, trestles, and culverts."

226. CROSSINGS AND SIGNS—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of crossings and signs. (See special instructions, section 8.)

227. STATION AND OFFICE BUILDINGS.

This account shall include the cost of repairing station and office buildings, fixtures, and appurtenances (including those for heating and lighting), used by the carrier in its operations; also the cost of maintaining grounds appurtenant to such buildings.

(Note carefully special instructions, sections 2 and 3.)

STATION AND OFFICE STRUCTURES AND DETAILS

(See special instructions, section 22)

Baggage rooms.
Breakwaters for protection of buildings.
Buildings and rooms for trainmen.
Buildings on piers.
Call bells.
Coal bins.
Coal-transferring machinery (not on coal and ore wharves).
Coal trestles (not at fuel stations).
Commissarial buildings.
Drainage and sewer systems.
Dwellings.
Eating houses.
Electric wiring.
Elevators and machinery.
Express buildings.
Fences.
Fire-engine houses.
Freight cranes.
Freight derricks.
Freight handling machinery.
Freight houses.
Garages.
Gas-supply systems.
General office buildings.
Grain cribs.
Grain elevators.
Grain warehouses.
Greenhouses.
Hay houses.
Heating plants.
Hedges.
Hoisting engines, for handling freight.
Hose houses.
Ice houses.
Lighting plants.
Mail cranes.
Milk stands.
Office buildings.
Ore transferring machinery (not on coal and ore wharves).
Outhouses.
Pavement in ground limits.
Platforms, freight.
Platforms, passenger, including planking between tracks.
Power distribution systems, interior.
Reading rooms.
Rooms for Y. M. C. A.
Scale houses.
Sidewalks.
Stables.
Station footbridges (not highway crossings).
Station intertrack fences.
Station platforms.
Station signs.
Station stairways.
Station subways (not highway crossings).
Station power houses.
Stations, freight.
Stations, passenger.
Stock pens.
Storehouses.
Telegraph offices.
Telpher systems.
Track scales.
Transfer houses.
Transfer platforms.
Waiting rooms.
Warehouses.
Washrooms.
Water-supply systems.

NOTE.—Incidental cleaning, including the cost of cleaning snow from roofs, when done by station or office employees, shall not be included in this account.

228. STATION AND OFFICE BUILDINGS—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of station and office buildings. (See special instructions, section 8.)

229. ROADWAY BUILDINGS.

This account shall include the cost of repairing roadway shops and other roadway buildings, including drainage, water, gas, and sewer pipes and their connections, machinery and other apparatus, fixtures, and furniture in the buildings; also the cost of maintaining the grounds appurtenant to such buildings.

(Note carefully special instructions, sections 2 and 3.)

LIST OF ROADWAY STRUCTURES

(See special instructions, section 22)

Bins for material.
Blacksmith shops.
Boarding houses.
Breakwaters for protection of buildings.
Carpenter shops.
Dwellings for roadway employees.
Fire-engine houses.
Frog shops used solely for repairs of track material.
Hand-car houses.
Lumber sheds.
Offices.
Outhouses.
Planing mills.
Rail shops used solely for repairs of track material.
Repair shops.
Scrap bins.
Section dwelling houses.
Stables.
Storehouses.
Tool houses.
Watch houses.

NOTE A.—The cost of repairing signal and interlocker buildings and their appurtenances shall be included in account No. 249, "Signals and interlockers."

NOTE B.—Incidental cleaning, including the cost of cleaning snow from roofs, when done by employees regularly working in the buildings, shall not be included in this account.

230. ROADWAY BUILDINGS—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of roadway buildings. (See special instructions, section 8.)

231. WATER STATIONS.

This account shall include the cost of repairing water stations, fixtures, and appurtenances used by the carrier in its operations, and the cost of maintaining the grounds appurtenant to such stations.

(Note carefully special instructions, sections 2 and 3.)

WATER STATION STRUCTURES AND DETAILS

(See special instructions, section 22)

Boilers.
Breakwaters for protection of buildings.
Buildings on piers.
Cisterns.
Dams.
Fences.
Outhouses.
Penstocks.
Pump houses.
Pumps.
Purifying plants.
Reservoirs.
Settling basins.
Stationary engines.
Steam pipes.
Tanks and foundations.
Track tanks.
Tubs.
Water cranes.
Water-pipe lines.
Water-treating plants.
Wells.
Windmills.

NOTE.—Incidental cleaning, including the cost of cleaning snow from roofs, when done by water station employees, shall not be included in this account.

232. WATER STATIONS—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of water stations. (See special instructions, section 8.)

233. FUEL STATIONS.

This account shall include the cost of repairing fuel stations, fixtures, and appurtenances used by the carrier in its operations, and the cost of maintaining the grounds appurtenant to such stations.

(Note carefully special instructions, sections 2 and 3.)

FUEL STATION STRUCTURES AND DETAILS

(See special instructions, section 22)

Breakwaters for protection of buildings.
Buckets.
Buildings on piers.
Coal buggies.
Coal hoists.
Coal pockets and chutes.
Dumping machinery.
Elevating machinery.
Fences.
Fuel houses.
Fuel-oil columns.
Fuel-oil plants.
Fuel-oil pumps.
Fuel-oil sumps.
Fuel-oil tanks.
Fuel platforms.
Fuel wharves.
Inclines.
Outhouses.
Scales.
Sheds.
Stationary engines.
Tipple cars.
Weighing apparatus.
Wood racks.

NOTE.—Incidental cleaning, including the cost of cleaning snow from roofs, when done by fuel station employees, shall not be included in this account.

234. FUEL STATIONS—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of fuel stations. (See special instructions, section 8.)

235. SHOPS AND ENGINEHOUSES.

This account shall include the cost of repairing shop and enginehouse buildings, fixtures, and appurtenances used by the carrier in repairing and preparing equipment, and the cost of maintaining the grounds appurtenant to such buildings.

(Note carefully special instructions, sections 2 and 3.)

SHOP AND ENGINEHOUSE STRUCTURES AND DETAILS

(See special instructions, section 22)

Air-compressor houses.
Ash pits and pockets.
Ash plants.
Bins for material.
Blacksmith shops.
Breakwaters for protection of buildings.
Buildings on piers.
Car sheds.
Car shops.
Carpenter shops.
Cinder pits.
Cinder pockets.
Drop pits.
Dry houses.
Electric-power distribution systems within buildings.
Enginehouses.
Fire-engine houses.
Footbridges (not public highways).
Foundries.
Gas-compressor houses.
Heating plants.
Hose houses.
Ice houses.
Laboratories.
Lighting plants.
Lumber sheds.
Machine shops.
Material and supply truck tracks.
Motor-crane tracks.
Offices, shop.
Oil houses.
Outhouses.
Paint shops.
Pipe lines, air, interior.
Pipe lines, car-heating.
Pipe lines, gas, interior.
Planing mills.
Platforms, shop and yard.
Repair shops.
Sand houses.
Scale houses.
Scrap bins.
Sidewalks.
Stables.
Steam distribution systems, interior.
Storehouses.
Tanks, gas.
Tanks, oil.
Test rooms.
Tin shops.
Tool houses.
Track scales.
Transfer tables.
Turntables.
Upholstering shops.
Warehouses.
Wash rooms.
Watch houses.

NOTE A.—The cost of repairing machinery and other apparatus, including special foundations, in shops for maintenance of equipment shall be included in account No. 302, "Shop machinery."

NOTE B.—Incidental cleaning, including the cost of cleaning snow from roofs, when done by shop employees, shall not be included in this account.

236. SHOPS AND ENGINEHOUSES—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of shops and enginehouses. (See special instructions, section 8.)

237. GRAIN ELEVATORS.

This account shall include the cost of repairing structures for the transfer, treatment, and storage of grain, including conveyors, machinery and fixtures; also the cost of maintaining the grounds appurtenant to such buildings.

The buildings referred to in this account are large elevators in which a regular grain business is handled or grain is stored for various owners.

(Note carefully special instructions, sections 2 and 3.)

NOTE A.—Small storage elevators at way stations, where the freight is received for shipment, etc., are classed as station buildings.

NOTE B.—Incidental cleaning, including the cost of cleaning snow from roofs, when done by grain elevator employees shall not be included in this account.

238. GRAIN ELEVATORS—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of grain elevators. (See special instructions, section 8.)

239. STORAGE WAREHOUSES.

This account shall include the cost of repairing storage warehouses, including machinery and fixtures therein; also the cost of maintaining the grounds appurtenant to such warehouses.

The buildings referred to herein are not the ordinary freight warehouses or stations where freight is received for shipment, etc., but are warehouses in which merchandise is stored and which the carrier operates as storage warehouses.

(Note carefully special instructions, sections 2 and 3.)

NOTE.—Incidental cleaning, including the cost of cleaning snow from roofs, when done by storage warehouse employees, shall not be included in this account.

240. STORAGE WAREHOUSES—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of storage warehouses. (See special instructions, section 8.)

241. WHARVES AND DOCKS.

This account shall include the cost of repairing wharves located at marine, lake, or river docks; dredging waterways to approaches and around such structures, including removal of dredged-out material; and cutting ice in and around docks and wharves to prevent damage; also cost of repairs of cribwork, racks, or caissons for preserving the depth of water in docks; and cost of repairs of guards, piling, and other protection against damage by drift or ice.

(Note carefully special instructions, sections 2 and 3.)

DETAILS OF WHARVES AND DOCKS

(See special instructions, section 22)

Bridge pontoons.
Bulkheads.
Caissons.
Cribwork.
Dry docks.
Ferry-bridge machinery.
Ferry bridges.
Ferry racks.
Ferry slips.
Jetties and inclines.
Transfer-bridge machinery.
Transfer bridges.

NOTE A.—The cost of repairing buildings, tracks, and machinery (not bridge machinery) on wharves and piers shall be charged to the appropriate expense accounts.

NOTE B.—The cost of repairing coal and ore wharves shall be charged to account No. 243, "Coal and ore wharves."

NOTE C.—Incidental cleaning, when done by regular wharf employees, shall not be included in this account.

242. WHARVES AND DOCKS—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of wharves and docks. (See special instructions, section 8.)

243. COAL AND ORE WHARVES.

This account shall include the cost of repairing wharves and docks, including the cost of repairing conveyors, machinery, and fixtures for the transfer, treatment, blending, or storage of coal or ore.

(Note carefully special instructions, sections 2 and 3.)

NOTE A.—The structures referred to in this account do not include small transfer or storage trestles at stations where coal is stored or delivered, such trestles being classed as station buildings.

NOTE B.—Incidental cleaning, including the cost of cleaning snow from roofs, when done by coal and ore wharf employees, shall not be included in this account.

244. COAL AND ORE WHARVES—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of coal and ore wharves. (See special instructions, section 8.)

245. GAS PRODUCING PLANTS.

This account shall include the cost of repairing gas producing and gas compressing plants, including the machinery and appliances in such plants; also the cost of maintaining the grounds appurtenant to such plants.

(Note carefully special instructions, sections 2 and 3.)

NOTE.—Incidental cleaning, including the cost of cleaning snow from roofs, when done by employees of the gas producing plant, shall not be included in this account.

246. GAS PRODUCING PLANTS—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of gas producing plants and gas compressing plants. (See special instructions, section 8.)

247. TELEGRAPH AND TELEPHONE LINES.

This account shall include:

TELEGRAPH.—The cost of repairs of telegraph outside plant and terminal equipment for which the carrier is responsible, including the cost of work-train service and of special tools provided for the work.

TELEPHONE.—The cost of repairs of telephone outside plant and terminal equipment for which the carrier is responsible, including the cost of work-train service and of special tools provided for the work.

(Note carefully special instructions, sections 2 and 3.)

DETAILS OF TELEGRAPH AND TELEPHONE TERMINAL EQUIPMENT

(See special instructions, section 22)

Batteries.
Cables and wires, interior.
Conduits, interior.
Connecting wires.
Current-controlling instruments.
Electric generators and motors.
Electric meters.
Engines, stationary.
Fuses and mechanical protectors.
Rectifiers.
Rheostats.
Sending and receiving instruments.
Switchboards.
Testing outfits.
Transformers.

DETAILS OF TELEGRAPH AND TELEPHONE OUTSIDE PLANT

(See special instructions, section 22)

Aerial attachments.
Braces.
Brackets.
Cable boxes and appurtenances.
Cables and wires, aerial.
Conduits and appurtenances.
Cross arms.
Guy stubs.
Guy wires.
Insulators.
Poles.
Submarine cables and connections.
Telephone pole boxes.
Towers.
Underground cables and connections.

NOTE.—The salaries, rent, other office expenses, and traveling expenses of superintendents of telegraph and telephone, their assistants, clerks, and attendants, when engaged both in maintaining and operating telegraph and telephone lines, shall be apportioned equally between this account and account No. 407, "Telegraph and telephone operation."

248. TELEGRAPH AND TELEPHONE LINES—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of telegraph and telephone lines. (See special instructions, section 8.)

249. SIGNALS AND INTERLOCKERS.

This account shall include the cost of repairing signals and interlockers governing the movement of trains, including salaries, rent, and other office expenses, and the traveling expenses of division signal engineers, signal supervisors, their assistants, clerks, and attendants; also the cost of special tools furnished for such work.

(Note carefully special instructions, sections 2 and 3.)

DETAILS OF SIGNALS AND INTERLOCKERS

(See special instructions, section 22)

Air compressors.
Batteries.
Boilers.
Distant signals.
Dynamos.
Engines, stationary.
Gates at crossings of other railroads.
Home signals.
Interlocker buildings.
Interlocker machinery.
Interlocker mechanism.
Levers.
Power transmission lines.
Rail bonds.
Railway-crossing signals.
Relays.
Semaphores.
Signal and switch levers.
Signal arms.
Signal blades.
Signal bridges.
Signal buildings.
Signal lamp brackets and connections.
Signal lamps.
Signal machinery.
Signal poles and foundations.
Signal pulleys and foundations.
Special appliances.
Station signals.
Train-order signals.
Wiring.

NOTE.—The cost of repairing track material, such as switches, special track fastenings, split rails, and frogs used in connection with interlockers, shall be charged to account No. 216, "Other track material."

250. SIGNALS AND INTERLOCKERS—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of signals and interlockers. (See special instructions, section 8.)

251. POWER PLANT DAMS, CANALS, AND PIPE LINES.

This account shall include the cost of repairing dams, canals, and pipe lines and accessories devoted to the utilization of water power for the operation of trains and cars, and to furnish power, heat, and light for general purposes.

(Note carefully special instructions, sections 2 and 3.)

DETAILS OF DAMS, CANALS AND PIPE LINES

(See special instructions, section 22)

Aqueducts.
Bridges.
Fences.
Footbridges.
Fore bays.
Gates.
Grids.
Inlet valves.
Penstocks.
Reservoirs.
Roadways.
Sluices.
Valves.
Viaducts.
Walls.

252. POWER PLANT DAMS, CANALS, AND PIPE LINES—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of power plant dams, canals, and pipe lines. (See special instructions, section 8.)

253. POWER PLANT BUILDINGS.

This account shall include the cost of repairing the buildings of power plants which furnish power for the operation of trains and cars, and furnish power, heat, and light for general purposes, including distinct power plant buildings at shops; drainage, water, and sewer pipes and their connections; miscellaneous furniture and fixtures; and the cost of maintaining the grounds appurtenant to such buildings.

(Note carefully special instructions, sections 2 and 3.)

NOTE A.—The cost of repairing machinery and other apparatus in general power plants shall be included in account No. 304, "Power plant machinery."

NOTE B.—Incidental cleaning, including the cost of cleaning snow from roofs, when done by power plant employees, shall not be included in this account.

254. POWER PLANT BUILDINGS—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of power plant buildings. (See special instructions, section 8.)

255. POWER SUBSTATION BUILDINGS.

This account shall include the cost of repairing buildings of power substations, including storage-battery stations, used to transform power for the operation of trains and cars, and to furnish power, heat, and light for general purposes; drainage, water, and sewer pipes and their connections; fixtures, including wiring for lighting and heating; and miscellaneous furniture and fixtures; also the cost of maintaining the grounds appurtenant to such buildings.

(Note carefully special instructions, sections 2 and 3.)

NOTE A.—The cost of repairing substation apparatus for transforming or storing power in power substations shall be included in account No. 306, "Power substation apparatus."

NOTE B.—Incidental cleaning, including the cost of cleaning snow from roofs, when done by substation employees, shall not be included in this account.

256. POWER SUBSTATION BUILDINGS—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of power substation buildings. (See special instructions, section 8.)

257. POWER TRANSMISSION SYSTEMS.

This account shall include the cost of repairing systems for transmitting high-tension power from power houses to the point where transformed for use, including the cost of work-train service and special tools furnished for such work.

(Note carefully special instructions, sections 2 and 3.)

DETAILS OF POWER TRANSMISSION SYSTEMS

(See special instructions, section 22)

Cables.
Cut-outs (not at power houses and substations).
Feed wires.
Guard wires.
Insulators and connections.
Span wires.
Switchboards (not at power houses and substations).
Transformers (not at power houses and substations).

NOTE A.—The cost of repairing track material, such as insulated rail splices used in connection with transmission systems shall be charged to account No. 216, "Other track material."

NOTE B.—When the electric current generated or received is changed by means of (*a*) rotary converters, (*b*) motor generator sets, or (*c*) static transformers (substation apparatus), that portion of the line or outside conductor system carrying current other than the operating kind or voltage shall be classed as transmission system. When the electric current is generated or received and used substantially unchanged in voltage and kind, the line or outside conductor system, including any feeders, trolley wires, booster circuits, and supplementary return, shall be classed wholly as distribution system. Tie lines between generating stations and substations should follow the same rule as other lines.

258. POWER TRANSMISSION SYSTEMS—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of power transmission lines. (See special instructions, section 8.)

259. POWER DISTRIBUTION SYSTEMS.

This account shall include the cost of repairing electric distribution systems, whether overhead, surface, or underground, for conveying low-tension power for propelling trains and cars, and for power, heat, light, and general purposes.

(Note carefully special instructions, sections 2 and 3.)

DETAILS OF POWER DISTRIBUTION SYSTEMS

(See special instructions, section 22)

Compressed-air pipe lines.
Cut-outs (not at power houses and substations).
Feed wires.
Guard wires.
Insulators and connections.
Overhead trolley wires.
Rail bond plugs.
Rail bonds.
Rail insulating devices.
Span wires.
Steam pipe lines.
Switchboards (not at power houses and substations).
Third rail.
Third-rail braces.
Third-rail insulation and protection.
Third-rail supports.

NOTE A.—The cost of repairing and replacing track material, such as insulated rail splices, used in connection with electric distribution systems, shall be charged to account No. 216, "Other track material."

NOTE B.—The cost of repairing that portion of distribution systems located in shop buildings and station and office buildings shall be included in the cost of repairing the buildings. The cost of repairing distribution systems in plants used exclusively for operating signals and interlockers shall be included in account No. 249, "Signals and interlockers."

NOTE C.—When the electric current generated or received is changed by means of (*a*) rotary converters, (*b*) motor generator sets, or (*c*) static transformers (substation apparatus), that portion of the line or outside conductor system carrying current other than the operating kind or voltage shall be classed as transmission system. When the electric current is generated or received and used substantially unchanged in voltage and kind, the line or outside conductor system, including any feeders, trolley wires, booster circuits, and supplementary return, shall be classed wholly as distribution system. Tie lines between generating stations and substations should follow the same rule as other lines.

260. POWER DISTRIBUTION SYSTEMS—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of power distribution systems. (See special instructions, section 8.)

261. POWER LINE POLES AND FIXTURES.

This account shall include the cost of repairing and replacing electric line poles, cross arms, and insulating pins; brackets and

other pole fixtures; and braces and other supports for holding poles in position; also the cost of repairing structures primarily for supporting the overhead electric construction.

(Note carefully special instructions, sections 2 and 3.)

262. POWER LINE POLES AND FIXTURES—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of power line poles and fixtures. (See special instructions, section 8.)

263. UNDERGROUND CONDUITS.

This account shall include the cost of repairing conduits required for underground electric wires and cables of electric railway construction, including manholes, sewer connections, sewer traps, and all other material necessary for the maintenance of the conduit system.

(Note carefully special instructions, sections 2 and 3.)

264. UNDERGROUND CONDUITS—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of underground conduits. (See special instructions, section 8.)

265. MISCELLANEOUS STRUCTURES.

This account shall include the cost of repairing permanent structures, not provided for elsewhere, including the cost of repairing all furniture and fixtures to equip them for use. It shall also include the cost of maintenance of the grounds appurtenant to such structures.

(Note carefully special instructions, sections 2 and 3.)

NOTE A.—When separable the cost of maintaining structures which are rented to other companies or individuals shall be charged to the income account in which is included the rent received for use of the structures.

NOTE B.—Incidental cleaning, including the cost of cleaning snow from roofs, when done by employees regularly working in miscellaneous buildings, shall not be included in this account.

266. MISCELLANEOUS STRUCTURES—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of miscellaneous structures. (See special instructions, section 8.)

267. PAVING.

This account shall include the cost of repairing paving about tracks in public highways and streets through which the carrier's tracks are laid.

(Note carefully special instructions, sections 2 and 3.)

NOTE.—The cost of repairing paving upon the carrier's lands, within the grounds of buildings or other structures, shall be included in the accounts provided for the repairs of the structures, and the cost of repairing paving upon the carrier's right of way at crossings in account No. 225. "Crossings and signs."

268. PAVING—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of paving. (See special instructions, section 8.)

269. ROADWAY MACHINES.

This account shall include the cost of repairing roadway machines which are used for the repairs of roadway and structures.

(Note carefully special instructions, sections 2 and 3.)

LIST OF ROADWAY MACHINES

(See special instructions, section 22)

Boilers, portable.
Cars, hand.
Cars, lever.
Cars, motor inspection.
Cars, push.
Cars (small), crane, for supply-yards and general use.
Concrete mixers.
Ditching machines.
Dredging machines.
Engines, portable.
Grading outfits.
Hydraulic outfits.
Jacks, hydraulic.
Log loaders.
Pile drivers.
Plows, unloading.
Rail unloaders.
Rock crushers.
Steam rollers.
Timber trucks.
Velocipedes.

NOTE A.—The cost of repairing machines in the maintenance of equipment shops shall be included in account No. 302, "Shop machinery," as provided for therein.

NOTE B.—The cost of repairing roadway machines, such as pile drivers, log loaders, hoisting engines, and concrete mixers, when permanently mounted for movement on carrier's tracks, shall be included in account No. 326, "Work equipment—Repairs."

270. ROADWAY MACHINES—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of roadway machines. (See special instructions, section 8.)

271. SMALL TOOLS AND SUPPLIES.

This account shall include:

ROADWAY AND TRACK TOOLS.—The cost of roadway tools (except special tools provided for elsewhere), including the cost of repairing such tools.

(Note carefully special instructions, sections 2 and 3.)

LIST OF ROADWAY AND TRACK TOOLS

(See special instructions, section 22)

Adzes.
Anvils.
Augers.
Axes.
Ballast forks.
Bars, claw.
Bars, crow.
Bars, lining.
Bars, pinch.
Bars, raising.
Bars, tamping.
Braces and bits.
Brooms.
Brush hooks.
Cable stretchers.
Cables.
Cans, oil.
Cans, water.
Cant hooks.
Chains.
Chisels, track.
Chisels, wood.
Curbing hooks.
Dippers.
Drawing knives.
Drill bits.
Drills (portable).
Flags, signal.
Furnaces (portable).
Grindstones.
Hammers, napping.
Hammers, paving.
Hammers, spiking.
Handles for tools.
Hatchets.
Hoes.
Jack levers.
Jacks, ratchet.
Jacks, screw.
Jacks, track.
Kegs, water.
Ladders.
Lanterns and fixtures.
Lawn mowers.
Levels.
Lines for ditching.
Nippers.
Oilstones.
Padlocks.
Pails, water.
Paint brushes.
Picks, clay.
Picks, tamping.
Pike poles.
Post-hole diggers.
Post-hole tampers.
Punches.
Rail benders.
Rail tongs.
Rakes.
Rope.
Saws, crosscut.
Saws, hand.
Scrap boxes.
Scythes.
Shovels.
Sickles.
Sledges.
Spades.
Spike mauls.
Spike pullers.
Spot boards.
Squares.
Straightening machines.
Tape lines.
Thermometers for laying rail.
Tongs.
Tool boxes.
Torches.
Track gauges.

Track levels.
Vises.
Weed spuds.
Wheelbarrows.
Whetstones.
Wood mallets.
Wrenches, monkey.
Wrenches, track.

ROADWAY AND TRACK SUPPLIES.—The cost of supplies consumed in connection with the operation of roadway machines while used in repairs of roadway and tracks; and cost of supplies used by trackwalkers, track watchmen, and roadway and track repair men.

ITEMS OF ROADWAY SUPPLIES

(See special instructions, section 22)

Alcohol for hydraulic jacks.
Fuel for heating tool and other section houses.
Fuel for portable forges used in roadway and track work.
Gasoline for motor cars.
Oatmeal and ice for drinking water used by roadway and track repair men.
Oil and waste for hand cars, lever cars, motor inspection cars, and push cars.
Oil and wicks for lanterns used by trackwalkers, track watchmen, and roadway and track repair men.
Oil and wicks for lighting tool and other section houses.
Torpedoes used by trackwalkers, track watchmen, and roadway and track repair men.
Water for section houses.

272. REMOVING SNOW, ICE, AND SAND.

This account shall include the cost of keeping track and roadway clear of snow, ice, and sand.

It shall include cost of preventing accumulation, such as the cost of distributing, setting up, inspecting, taking down, and regathering portable snow and sand fences; and cost of tools furnished for the purpose; also cost of storing fences.

It shall include cost of removing accumulations of snow, ice, and sand, cost of snow-plow and flanger service, and of work-train service; cost of applying and removing flangers from locomotives and cars, and of slatting pilots; cost of salt to keep switches clear; and cost of meals and lodging for men employed in removal service.

(Note carefully special instructions, sections 2 and 3.)

273. ASSESSMENTS FOR PUBLIC IMPROVEMENTS.

This account shall include the carrier's proportion of the cost of repairing public improvements, such as sewers, curbs, gutters,

pavement and sidewalks, including costs of such repairs made under Government regulations by the carrier's own employees.

(Note carefully special instructions, sections 2 and 3.)

NOTE.—The cost of repairs, required by Government authority, to paving between rails and adjacent to tracks laid through public highways shall be included in account No. 267, "Paving."

274. INJURIES TO PERSONS.

This account shall include expenses on account of injuries to persons which occur directly in connection with the maintenance of way and structures, including injuries occurring in connection with the operation of work trains in such service, and injuries caused by defective highways within the right of way.

It shall also include expenses on account of injuries to employees incurred while demolishing structures, the maintenance of which would be chargeable to Maintenance of Way and Structures; services of employees and others called in consultation in connection with claim adjustments; pay and expenses of employees while engaged as witnesses at inquests and lawsuits; and a suitable proportion of donations made to hospitals.

ITEMS OF EXPENSE

(See special instructions, section 22)

Artificial limbs.
Carriage fees.
Claim adjusters' and clerks' services.
Claim adjusters' office expenses.
Compensation for injuries or death.
Final judgments, including plaintiffs' court costs.
Funeral expenses.
Hospital attendance.
Medical and surgical services.
Medical and surgical supplies.
Notarial fees.
Nursing.
Railway transportation.
Undertakers' services.
Undertakers' supplies.
Witnesses' fees and expenses at inquests and law-suits.

NOTE A.—Expenses incident to personal injury suits, not otherwise provided for, shall be included in account No. 454, "Law expenses."

NOTE B.—Amounts donated by a carrier to hospitals shall be distributed, 25 per cent to account No. 274, "Injuries to persons"; 25 per cent to account No. 332, "Injuries to persons"; and 50 per cent to account No. 420, "Injuries to persons."

NOTE C.—The pay, office rent, office expenses, and other expenses of claim adjusters, claim clerks and others in charge of or engaged in connection with claim cases, when not assignable to a distinct class of claims, shall be apportioned equally among the several classes of claims over which they have jurisdiction or in connection with which they are engaged.

275. INSURANCE.

This account shall include premiums, except reinsurance premiums, for insuring the carrier against loss through injuries to persons or damage to or destruction or loss of property, whether caused by fire, accident, or other cause, when such loss to the carrier would be chargeable to Maintenance of Way and Structures; also premiums on fidelity bonds of employees whose pay is chargeable to Maintenance of Way and Structures. (See special instructions, section 18.)

NOTE.—The premiums paid by the carrier to its insurance fund shall be credited to an insurance reserve account, to which account shall be charged the amount of all claims for injuries to persons and damages to the property covered by its insurance. To such account shall also be charged all reinsurance premiums paid to insurance companies, and to it shall be credited all amounts recovered from insurance companies in reimbursement for losses under such reinsurance.

276. STATIONERY AND PRINTING.

This account shall include the cost of stationery and printing used in connection with maintenance of way and structures.

STATIONERY AND PRINTING ITEMS

(See special instructions, section 22)

Adding machines.
Addressographs and supplies.
Arm rests.
Binders.
Blank books.
Blotters.
Blotting paper.
Bristol board.
Calculating machines.
Calendars.
Carbon paper.
Cardboard.
Cards, blank and printed.
Circulars.
Computing tables.
Copy (impression) books.
Copying brushes.
Copying presses.
Crayons.
Cross-section books.
Cross-section paper
Cyclostyles.
Dating stamps and ribbons.
Dictaphones.
Dictographs.
Drawing paper.
Duplicators.
Electric pens.
Envelopes.
Erasers, rubber and steel.
Eyelet punches.
Eyelets.
File boxes, paper.
Forms, blank and printed.
Glass pens.
Hectographs.
Indexes.
Ink for writing and drawing.
Inkstands.
Invoice books.
Legal cap paper.
Letter paper.
Manifold paper.
Manifold pens.
Mimeographs.
Mucilage.

Mucilage brushes.
Neostyles.
Note paper.
Notices.
Numbering stamps.
Oil paper.
Paper.
Paper baskets.
Paper clips.
Paper cutters.
Paper fasteners.
Paper files.
Paper weights.
Papyrographs.
Pencil sharpeners.
Pencils for writing and drawing.
Penholders.
Penracks.
Pens for writing and drawing.
Phonographs and records.
Pins.
Postage.
Profile books and paper.
Punches (not conductors' or baggagemen's).
Rubber bands.
Rubber stamps.
Rulers.
Ruling pens.
Scrapbooks.
Sealing wax.
Seals.
Shears.
Shipping tags.
Shorthand notebooks.
Sponge cups.
Sponges.
Stamps, impression.
Stylographs.
Tablets, blank and printed.
Tape.
Telegraph blanks.
Tissue (impression) paper.
Tracing cloth.
Tracing paper.
Twine.
Typewriters and ribbons.
Wage tables.
Wastebaskets.
Water colors.
Water holders.
Wrapping paper.
Wringers for copying presses.

NOTE.—The cost of dictionaries, periodicals, technical books, etc., shall be included in the appropriate superintendence accounts.

277. OTHER EXPENSES.

This account shall include all expenses in connection with maintenance of way and structures not provided for elsewhere.

ITEMS OF EXPENSE

(See special instructions, section 22)

Pay and expenses of maintenance of way employees attending conferences with officers in connection with wage disputes.

Fees paid arbitrators in wage disputes with maintenance of war employees.

Payments to maintenance of way employees for time absent on account of sickness, when not compensation for personal injuries.

Gratuities paid to persons for discovering defective rails, etc.

278. MAINTAINING JOINT TRACKS, YARDS, AND OTHER FACILITIES—DR.

This account shall include the carrier's proportion of the costs incurred by others in maintaining joint tracks, yards, terminals, and other facilities.

NOTE.—The purpose of this account is to show the amounts accruing against the carrier for its proportion of the cost of maintaining tracks, yards, and other roadway and structure facilities maintained by others and in the joint use of which the carrier participates. (See special instructions, section 9.)

279. MAINTAINING JOINT TRACKS, YARDS, AND OTHER FACILITIES—CR.

This account shall include amounts chargeable to others as their proportions of the cost incurred by the carrier in maintaining joint tracks, yards, terminals, and other facilities.

NOTE.—The purpose of this account is to show the amounts accruing in favor of the carrier and against others for their proportions of the cost of maintaining tracks, yards, and other roadway and structure facilities maintained by the carrier and in the joint use of which others participate. (See special instructions, section 9.)

II. MAINTENANCE OF EQUIPMENT.

The primary accounts included in this general account are designed to show the expenses of maintaining the carrier's equipment and the carrier's expense for the repairs of other equipment used in its operations, also the cost of maintaining the fixed improvements which are classified as shop and power plant machinery, and power substation apparatus. The repair accounts shall include foreign roads' freight charges for transporting the carrier's equipment to shops for repairs and for transporting such equipment to the carrier's line after repairs have been made. No charge shall be made to these accounts for transporting equipment in the carrier's transportation service trains to shops for repairs or from shops after repairs have been made.

The accounts for maintenance of equipment shall be kept in such manner as to show separately, by primary accounts, the expenses directly assignable to sleeping-car operations, water-line operations, dining and buffet service, producing power sold, and other miscellaneous operations.

301. SUPERINTENDENCE.

This account shall include:

PAY OF OFFICERS.—The pay of officers directly in charge of or engaged in the maintenance of equipment.

LIST OF OFFICERS

(See special instructions, section 22)

Vice president.
Assistant vice president.
General superintendent of motive power.
Assistant general superintendent of motive power.
Mechanical superintendent.
Superintendent of motive power.
Assistant superintendent of motive power.
Mechanical engineer.
Assistant mechanical engineer.
Chief chemist.
General equipment inspector.
Engineer of tests.
Supervisor of car department.
Electrical engineer.
Assistant electrical engineer.
Chemist and assistant chemist.
Master car builder.
Master mechanic.
General foreman.
Chief car inspector.
Inspector of passenger-train cars.
General car inspector.
Traveling boiler inspector.

PAY OF CLERKS AND ATTENDANTS.—The pay of clerks and other employees in the offices and on business cars of officers whose pay is chargeable to this account.

LIST OF EMPLOYEES

(See special instructions, section 22)

Chief motive power clerks.
Chief clerks.
Draftsmen.
Stenographers.
Motive power clerks.
Shop clerks.
Messengers.
Cooks.
Porters.

OFFICE AND OTHER EXPENSES.—Office expenses and other expenses of officers and employees whose pay is chargeable to this account, and amounts paid to detective agencies and others for investigations in connection with repairs of equipment.

ITEMS OF EXPENSE AND SUPPLIES

(See special instructions, section 22)

Atlases and maps.
Barometers.
Books for office use.
Business car service.
Drafting instruments.
Drafting supplies.
Engineering supplies.
Fees and dues in technical associations.
Furniture repairs and renewals.
Heating.
Lighting.
Official train service.
Periodicals and newspapers.
Power.
Provisions for business cars.
Rent of offices.
Repair of rented offices.
Telegraph service.
Telephone service.
Traveling expenses.
Water and ice.

NOTE A.—When employees designated above are engaged on construction or other work not chargeable to Maintenance of Equipment,

their pay and expenses while thus employed shall be charged to accounts covering the specific work on which engaged.

NOTE B.—When officers designated above have supervision over more than one department, their salaries, the pay of their clerks and attendants, and their office and other expenses shall be apportioned equally among the departments over which they have jurisdiction.

NOTE C.—The cost of stationery purchased for maintenance of equipment offices is chargeable to account No. 334, "Stationery and printing."

NOTE D.—The pay of general foremen in small shops, who exercise direct supervision over all departments, unassisted by departmental foremen, shall be apportioned through clearing account "Shop expenses."

302. SHOP MACHINERY.

This account shall include the cost of repairing machinery and other apparatus, including special foundations, in shops and enginehouses.

(Note carefully special instructions, sections 2 and 3.)

LIST OF SHOP MACHINERY

(See special instructions, section 22)

Air compressors.
Ash conveyors.
Belting.
Blowers.
Boilers for furnishing power.
Boring machines.
Cars, small motor.
Cars, push.
Cranes.
Drill presses.
Drilling machines.
Drop tables.
Forges.
Framing machines.
Furnaces.
Grinding and polishing machines.
Hoists.
Hydraulic jacks.
Lathes.
Lifting magnets.
Metal chimneys.
Milling machines.
Motors.
Pipe cutting and threading machines.
Planers.
Pneumatic hammers.
Power machinery, where no distinct power plant is provided.
Punches.
Riveters.
Saws.
Shafting.
Shapers.
Slotters.
Stationary engines.
Steam hammers.
Vises.
Welding machines.
Woodworking machines.

NOTE A.—The cost of repairing power plant machinery for shop power when located in distinct buildings shall be included in account No. 304, "Power plant machinery."

NOTE B.—The cost of repairing boilers used exclusively for heating shall be included in the appropriate repair accounts for buildings.

NOTE C.—The cost of small tools which are soon worn out, when used by mechanics on miscellaneous work, shall be included in clearing account "Shop expenses," and when used on repairs of equipment shall be included in the appropriate accounts for repairs of equipment.

NOTE D.—The cost of repairing machinery and tools in shops used exclusively for maintenance of way and structures shall be included in account No. 229, "Roadway buildings."

303. SHOP MACHINERY—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of shop machinery. (See special instructions, section 8.)

304. POWER PLANT MACHINERY.

This account shall include the cost of repairing machinery and other apparatus, including special foundations, for generating power in power plants used for the operation of trains and cars and to furnish power, heat, and light for general purposes. It shall also include the cost of repairing machinery and other apparatus for transforming and storing power, when such apparatus is contained in a power plant.

(Note carefully special instructions, sections 2 and 3.)

DETAILS OF POWER PLANT MACHINERY

(See special instructions, section 22)

Ammeters.
Batteries.
Belting.
Boiler-room appliances and tools.
Boilers and fittings.
Boosters.
Cables.
Circuit breakers.
Clutches.
Conductors.
Cranes.
Draft machinery.
Dynamos.
Economizers.
Electric-power distribution systems, interior.
Engine-room appliances and tools.
Feed-water heaters.
Furnaces.
Generators.
Globes.
Hangers.
Heating apparatus.
Hoists.
Insulators.
Lamps.
Lighting apparatus.
Lubricating devices.
Mechanical stokers.
Piping.
Poles.
Pumps.
Purifiers.
Rheostats.
Sewer connections.
Shafting.
Stationary engines.
Steam distribution systems.
Steam fittings.
Switchboards.
Tanks.
Transformers.
Turbines.
Voltmeters.
Water meters.
Water wheels.
Wires from generators or transformers to switchboards.

NOTE A.—The cost of repairing power apparatus in shops where no distinct plant is provided shall be included in account No. 302, "Shop machinery."

NOTE B.—The cost of repairing power apparatus in stations and offices used solely for station and office purposes, where no distinct plant is provided, shall be included in account No. 227, "Station and office buildings."

NOTE C.—The cost of repairing power apparatus in plants used solely for operating signals and interlockers shall be included in account No. 249, "Signals and interlockers."

305. POWER PLANT MACHINERY—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of power plant machinery. (See special instructions, section 8.)

306. POWER SUBSTATION APPARATUS.

This account shall include the cost of repairing machinery and other apparatus, including special foundations, for transforming or storing power in power substations used for the operations of trains and cars and for power, heat, and light for general purposes.

(Note carefully special instructions, sections 2 and 3.)

DETAILS OF POWER SUBSTATION APPARATUS

(See special instructions, section 22)

Rotary converters.	Switchboards.
Storage batteries.	Transformers.

NOTE.—When machinery and other apparatus for transforming and storing power are located in a power plant the cost of repairs shall be included in account No. 304, "Power plant machinery."

307. POWER SUBSTATION APPARATUS—DEPRECIATION.

This account shall include charges covering the current loss from depreciation of power substation apparatus. (See special instructions, section 8.)

308. STEAM LOCOMOTIVES—REPAIRS.

This account shall include the cost of repairing transportation service steam locomotives and tenders, including all appurtenances, and the cost of small hand tools used in repair work.

This account shall also include the cost of work-train service for the transportation of locomotives without steam to shops for repairs, including the pay and expenses of caretakers, and the pay and expenses of caretakers of locomotives without steam

which are hauled in transportation service trains to shops for repairs; also notarial fees in connection with reports on conditions of locomotives.

(Note carefully special instructions, sections 2 and 3, and general instructions for income, profit and loss, and general balance-sheet accounts, section 2.)

LIST OF APPURTENANCES TO LOCOMOTIVES

(See special instructions, section 22)

Air-brake equipment and hose.	Head lamps.
Arm rests.	Packing (except for lubricating).
Awnings.	Pneumatic sanding equipment.
Brake fixtures.	Seat boxes.
Cab cushions.	Speed recorders.
Cab lamps.	Steam-gauge lamps.
Clocks.	Steam-heat equipment and hose.
Coal boards.	Storm doors.
Fire extinguishing apparatus.	Tool boxes.
Gongs.	Train-signal equipment and hose.

NOTE A.—The cost of inspecting smokestacks and ash pans of locomotives in service shall be included in the appropriate enginehouse expense accounts.

NOTE B.—The cost of repairing steam locomotives and tenders of foreign lines, waybilled as freight, and damaged in transit shall be charged to account No. 418, "Loss and damage—Freight"; and the cost of repairing steam locomotives and tenders of foreign lines having trackage rights over the carrier's line, damaged by collision, wreck, or other cause, for which the carrier is liable, shall be charged to account No. 416, "Damage to property."

NOTE C.—The cost of running locomotives under steam to shops for repairs in connection with transportation service shall be included in the cost of the service in connection with which the movement occurs.

NOTE.—The cost of repairing steam locomotives used solely in work service in connection with operations shall be included in account No. 326, "Work equipment—Repairs." The cost of repairing locomotives on account of construction work shall be included in the cost of the work. (See general instructions for the classification of investment in road and equipment, section 4c.)

309. STEAM LOCOMOTIVES—DEPRECIATION.

This account shall include uniform monthly charges representing the depreciation of steam locomotives. These charges shall be based upon the percentage of the original cost (estimated if not known), ledger value, or purchase price of such equipment determined to be equitable from the carrier's experience and best sources of information as to the average current loss from

depreciation. A statement of the percentages used by the carrier for computing these charges, together with the estimated life of the equipment upon which such percentages are based, shall be included in its annual report to the Commission.

Depreciation charges with respect to any locomotive shall cease when the difference between the ledger value and the estimated scrap value shall have been credited to the accrued depreciation account.

(See general instructions for income, profit and loss, and general balance-sheet accounts, section 2.)

NOTE.—All charges to this account for depreciation of the carrier's equipment shall be concurrently credited to balance-sheet account No. 776 "Accrued depreciation—Equipment."

310. STEAM LOCOMOTIVES—RETIREMENTS.

This account shall include amounts necessary to adjust the difference between the ledger value (less salvage) of steam locomotives retired from service and the amount of accrued depreciation charged on account of such retired locomotives to the date of their retirement. (See road and equipment account II, Equipment, paragraphs 4 and 5.)

NOTE.—Steam locomotives permanently retired from service, but held pending disposition, shall be written out of service and carried in an appropriate suspense account at an equitable valuation.

311. OTHER LOCOMOTIVES—REPAIRS.

This account shall include the cost of repairs of transportation service locomotives other than steam locomotives, analogous to those set forth for steam locomotives in account No. 308, "Steam locomotives—Repairs."

(Note carefully special instructions, sections 2 and 3.)

312. OTHER LOCOMOTIVES—DEPRECIATION.

This account shall include uniform monthly charges representing the depreciation of other than steam locomotives. These charges shall be based upon the percentage of the original cost (estimated if not known), ledger value, or purchase price of such equipment determined to be equitable from the carrier's experience and best sources of information as to the average current loss from depreciation. A statement of the percentages

used by the carrier for computing these charges, together with the estimated life of the equipment upon which such percentages are based, shall be included in its annual report to the Commission.

Depreciation charges with respect to any locomotive shall cease when the difference between the ledger value and the estimated scrap value shall have been credited to the accrued depreciation account.

NOTE.—All charges to this account for depreciation of the carrier's equipment shall be concurrently credited to balance-sheet account No. 776, "Accrued depreciation—Equipment."

313. OTHER LOCOMOTIVES—RETIREMENTS.

This account shall include amounts necessary to adjust the difference between the ledger value (less salvage) of locomotives other than steam locomotives retired from service and the amount of accrued depreciation charged on account of such retired locomotives to the date of their retirement. (See road and equipment account II, Equipment, paragraphs 4 and 5.)

NOTE.—Locomotives permanently retired from service but held pending disposition shall be written out of service and carried in an appropriate suspense account at an equitable valuation.

314. FREIGHT-TRAIN CARS—REPAIRS.

This account shall include the cost of repairing freight-train cars and appurtenances, and cost of repairs of the freight car feature of motor cars engaged in transportation service; also cost of small hand tools used in repairs. This account shall also include the net loss sustained on account of the destruction of foreign freight cars in the carrier's transportation service and amounts paid to others for repairs of freight cars for which the carrier is liable.

(Note carefully special instructions, sections 2 and 3, and general instructions for income, profit and loss, and general balance-sheet accounts, section 2.)

LIST OF FREIGHT-TRAIN CARS

(See special instructions, section 22)

Ballast (commercial).
Beer.
Box.
Cabin.
Caboose.
Charcoal.
Coal.
Coke.
Dump (commercial).
Flat.
Fruit.
Furniture.
Gondola.
Gondola (hopper).
Gondola (long).
Gun truck.
Hay.
Lime.
Logging.
Oil tank.
Ore.
Platform.
Poling.
Poultry.
Produce.
Rack.
Refrigerator.
Stock.
Tank (in commercial service).
Water (in commercial service).
Work (in commercial service).

LIST OF APPURTENANCES TO FREIGHT-TRAIN CARS

(See special instructions, section 22)

Air-brake equipment, including hose.
Cooking equipment and utensils.
Cushions.
Heating equipment.
Ice boxes.
Lamps and fixtures.
Seats.
Speed recorders.
Train-signal equipment, including hose.
Water tanks.

NOTE A.—The cost of candles, wicks, lamp chimneys, globes, and shades for oil or other lamps in freight-train cars shall be charged to account No. 402, "Train supplies and expenses."

NOTE B.—The cost of repairing freight-train cars of foreign lines waybilled as freight and damaged in transit shall be charged to account No. 418, "Loss and damage—Freight"; and the cost of repairing freight-train cars of foreign lines having trackage rights over the carrier's line, when damaged by collision, wreck, or other cause, for which the carrier is liable, shall be charged to account No. 416, "Damage to property."

315. FREIGHT-TRAIN CARS—DEPRECIATION.

This account shall include uniform monthly charges representing the depreciation of freight-train cars. These charges shall be based upon the percentage of the original cost (estimated if not known), ledger value, or purchase price of such equipment determined to be equitable from the carrier's experience and best sources of information as to the average current loss from depreciation. A statement of the percentages used by the carrier for computing these charges, together with the estimated

life of the equipment upon which such percentages are based, shall be included in its annual report to the Commission.

Depreciation charges with respect to any freight-train car shall cease when the difference between the ledger value and the estimated scrap value shall have been credited to the accrued depreciation account.

(See general instructions for income, profit and loss, and general balance-sheet accounts, section 2.)

NOTE.—All charges to this account for depreciation of the carrier's equipment shall be concurrently credited to balance-sheet account No. 776, "Accrued depreciation—Equipment."

316. FREIGHT-TRAIN CARS—RETIREMENTS.

This account shall include amounts necessary to adjust the difference between the ledger value (less salvage) of freight-train cars retired from service and the amount of accrued depreciation charged on account of such retired cars, to the date of their retirement. (See road and equipment account II, Equipment, paragraphs 4 and 5.)

NOTE.—Freight-train cars permanently retired from service, but held pending disposition, shall be written out of service, and carried in an appropriate suspense account at an equitable valuation.

317. PASSENGER-TRAIN CARS—REPAIRS.

This account shall include the cost of repairing passenger-train cars and appurtenances and passenger-car features of motor cars used in transportation service; small hand tools used in repairs; the net loss sustained on account of the destruction of foreign passenger-train cars in the carrier's transportation service, and amounts paid others for repairs of passenger-train cars for which the carrier is liable.

(Note carefully special instructions, sections 2 and 3, and general instructions for income, profit and loss, and general balance-sheet accounts, section 2.)

LIST OF PASSENGER-TRAIN CARS

(See special instructions, section 22)

Baggage.
Baggage-express.
Baggage-mail.
Baggage-mail-express.
Buffet.
Café.
Chair.
Club.

Colonist.
Combination passenger and baggage.
Dining.
Express.
Immigrant.
Library.
Mail.
Milk.
Observation.
Parlor.
Parlor-baggage.
Passenger.
Passenger-baggage.
Passenger-baggage-mail.
Postal.
Refrigerator-express.
Sleeping.
Smoking.
Tourist.

LIST OF APPURTENANCES TO PASSENGER-TRAIN CARS

(See special instructions, section 22)

Air-brake equipment, including hose.
Bedding.
Chairs.
Coat hooks.
Curtains and fixtures.
Cushions.
Electric bells.
Floor coverings.
Heating equipment and steam heat hose.
Ice boxes.
Ice tanks.
Kitchen equipment and utensils.
Lighting equipment.
Mail catchers.
Parcel racks.
Ranges and boilers.
Seats.
Speed recorders.
Steam heat hose.
Table china.
Table glassware.
Table linen.
Table silver.
Toilet equipment.
Train-signal equipment, including hose.
Water tanks.

NOTE A.—The cost of candles, wicks, and lamp chimneys, and of globes and shades for electric and other lights in passenger-train cars shall be charged to account No. 402, "Train supplies and expenses."

NOTE B.—The cost of repairing passenger-train cars of foreign lines, which are waybilled as freight and have been damaged in transit, shall be charged to account No. 418, "Loss and damage—Freight," and the cost of repairing passenger-train cars of foreign lines having trackage rights over the carrier's line, when damaged by collision, wreck, or otherwise, for which the carrier is liable, shall be charged to account No. 416, "Damage to property."

318. PASSENGER-TRAIN CARS—DEPRECIATION.

This account shall include uniform monthly charges representing the depreciation of passenger-train cars. These charges shall be based upon the percentage of the original cost (estimated if not known), ledger value, or purchase price of such equipment determined to be equitable from the carrier's experience and best sources of information as to the average current loss from depreciation. A statement of the percentages

used by the carrier for computing these charges, together with the estimated life of the equipment upon which such percentages are based, shall be included in its annual report to the Commission.

Depreciation charges with respect to any passenger-train car shall cease when the difference between the ledger value and the estimated scrap value shall have been credited to the accrued depreciation account.

(See general instructions for income, profit and loss, and general balance-sheet accounts, section 2.)

NOTE.—All charges to this account for depreciation of the carrier's equipment shall be concurrently credited to balance-sheet account No. 776, "Accrued depreciation—Equipment."

319. PASSENGER-TRAIN CARS—RETIREMENTS.

This account shall include amounts necessary to adjust the difference between the ledger value (less salvage) of passenger-train cars retired from service and the amount of accrued depreciation charged on account of such retired cars to the date of their retirement. (See road and equipment account II, Equipment, paragraphs 4 and 5.)

NOTE.—Passenger-train cars permanently retired from service, but held pending disposition, shall be written out of service and carried in an appropriate suspense account at an equitable valuation.

320. MOTOR EQUIPMENT OF CARS—REPAIRS.

This account shall include the cost of repairing motor equipment affixed to cars; also cost of small hand tools used in repairs. The cars to which this account has reference are distinct from independent locomotives used for the propulsion of trains.

(Note carefully special instructions, sections 2 and 3).

ITEMS OF MOTOR EQUIPMENT

(See special instructions, section 22)

Batteries, storage.
Circuit breakers.
Controllers.
Engines, internal-combustion.
Generators.
Lightning arresters.
Motors.
Overload switches.
Rheostats.
Switches.
Third-rail contact.
Trolley poles.
Trolleys.

321. MOTOR EQUIPMENT OF CARS—DEPRECIATION.

This account shall include uniform monthly charges representing the depreciation of the motor equipment of cars. These charges shall be based upon the percentage of the original cost (estimated if not known), ledger value, or purchase price of such equipment determined to be equitable from the carrier's experience and best sources of information as to the average current loss from depreciation. A statement of the percentages used by the carrier for computing these charges, together with the estimated life of the equipment upon which such percentages are based, shall be included in its annual report to the Commission.

Depreciation charges with respect to the motor equipment of cars shall cease when the difference between the ledger value and the estimated scrap value shall have been credited to the accrued depreciation account.

NOTE.—All charges to this account for depreciation of the carrier's equipment shall be concurrently credited to balance-sheet account No. 776, "Accrued depreciation—Equipment."

322. MOTOR EQUIPMENT OF CARS—RETIREMENTS.

This account shall include amounts necessary to adjust the difference between the ledger value (less salvage) of motor equipment of cars retired from service, and the amount of accrued depreciation charged on such retired equipment to the date of its retirement. (See road and equipment account II, Equipment, paragraphs 4 and 5.)

NOTE.—The motor equipment of cars permanently retired from service but held pending disposition shall be written out of service and carried in an appropriate suspense account at an equitable valuation.

323. FLOATING EQUIPMENT—REPAIRS.

This account shall include the cost of repairing floating equipment (other than work equipment), including appurtenances, and cost of small hand tools used in repairs.

The pay and expenses of captains and engineers and of boat employees, while engaged on maintenance of floating equipment, shall be included in this account.

(Note carefully special instructions, sections 2 and 3.)

LIST OF FLOATING EQUIPMENT

(See special instructions, section 22)

Barges.
Canal boats.
Car and other floats.
Ferryboats.
Lighters.
Power launches.
Power lighters.
Scows.
Steamboats.
Steamships.
Transfer boats.
Tugboats.

LIST OF APPURTENANCES, TOOL EQUIPMENT, AND FURNITURE

(See special instructions, section 22)

Anchors.
Axes.
Barometers.
Beds and bedding.
Binnacle lamps.
Blocks and tackle.
Boilers and foundations.
Cables.
Capstan bars.
Carpets.
Charts.
China, crockery, and glassware.
Chronometers.
Clocks.
Compasses.
Counters.
Desks.
Engines and foundations.
Fire buckets.
Fire extinguishers.
Floor coverings.
Flue cleaners.
Furniture.
Gangplanks.
Hatchets.
Heating equipment.
Hoisting equipment.
Hooks.
Keys.
Kitchen equipment.
Life preservers.
Lighting equipment.
Linen.
Lines.
Logs.
Machinery and foundations.
Masts.
Office furniture.
Oil cans.
Pianos and other musical instruments.
Pumps.
Racks.
Railings.
Rakes.
Rigging.
Safes.
Sails.
Scales.
Seats, chairs, and cushions.
Shovels.
Slice bars and pokers.
Spyglasses.
Steam distribution systems.
Steering equipment.
Telescopes.
Ticket cases.
Tool boxes.
Tools, miscellaneous.
Tracks on car floats.
Ventilating equipment.
Wrenches.

NOTE A.—When the compensation for the use of floating equipment includes rent, maintenance, and operation, the portion covering rent shall be included in income account No. 539, "Rent for floating equipment," the portion covering repairs shall be included in this account, the portion covering depreciation shall be included in account No. 324, "Floating equipment—Depreciation," and the portion covering operation shall be included in account No. 408, "Operating floating equip-

ment," or in the primary accounts in general account V, Transportation —Water Line, as may be appropriate.

NOTE B.—The cost of repairs resulting from casualties shall be charged to the casualty accounts when covered by insurance and to insurance reserves to the extent of the accruals therein when such reserves have been provided for the damage to property. Any part of such cost not recoverable from underwriters or chargeable to insurance reserves shall be charged to the repair account.

324. FLOATING EQUIPMENT—DEPRECIATION.

This account shall include uniform monthly charges representing the depreciation of floating equipment other than work equipment. These charges shall be based upon the percentage of the original cost (estimated if not known), ledger value, or purchase price of such equipment determined to be equitable from the carrier's experience and best sources of information as to the average current loss from depreciation. A statement of the percentages used by the carrier for computing these charges, together with the estimated life of the equipment upon which such percentages are based, shall be included in its annual report to the Commission.

Depreciation charges with respect to any floating equipment shall cease when the difference between the ledger value and the estimated scrap value shall have been credited to the accrued depreciation account.

NOTE A.—All charges to this account for depreciation of the carrier's equipment shall be concurrently credited to balance-sheet account No. 776, "Accrued depreciation—Equipment."

NOTE B.—When the compensation for the use of floating equipment includes rent, maintenance, and operation, the portion covering rent shall be included in income account No. 539, "Rent for floating equipment," the portion covering repairs shall be included in account No. 323, "Floating equipment—Repairs," the portion covering depreciation shall be included in this account, and the portion covering operation shall be included in account No. 408, "Operating floating equipment," or in the primary accounts in general account V, Transportation—Water Line, as may be appropriate.

325. FLOATING EQUIPMENT—RETIREMENTS.

This account shall include amounts necessary to adjust the difference between the ledger value (less salvage) of floating equipment, other than work equipment, retired from service and the amount of accrued depreciation charged on account of

such retired equipment to the date of its retirement. (See road and equipment account II, Equipment, paragraphs 4 and 5.)

NOTE.—When floating equipment is permanently retired from service but held pending disposition, it shall be written out of service and carried in an appropriate suspense account at an equitable valuation.

326. WORK EQUIPMENT—REPAIRS.

This account shall include the cost of repairing rail and floating work equipment, including appurtenances, and cost of small hand tools used in repairs.

The cost of fitting up commercial cars for work service in connection with maintenance and operation; the cost of refitting them for commercial service; the cost of repairs to locomotives while in service for repairs of road and equipment; and the cost of repairs to foreign cars damaged while in such service shall be included in this account; also amounts paid in settlement for such cars destroyed in such service.

(Note carefully special instructions, sections 2 and 3, and general instructions for income, profit and loss, and general balance-sheet accounts, section 2.)

LIST OF WORK EQUIPMENT—RAIL

(See special instructions, section 22)

Air-brake instruction cars.
Ballast cars.
Ballast unloader cars.
Boarding cars.
Bridge cars.
Business cars.
Camp cars.
Cinder cars.
Concrete mixers (mounted).
Derrick cars.
Dirt spreaders (mounted).
Ditching cars.
Dump cars.
Dynamometer cars.
Gas-tank cars.
Grading cars.
Gravel cars.
Indicator cars.
Locomotive tanks used as water cars.
Locomotives.
Officers' cars.
Outfit cars.
Painters' cars.
Pay cars.
Pile drivers (mounted).
Rail saws (mounted).
Salt cars.
Sanding cars.
Scale test cars.
Scraper cars.
Snow dozers.
Snow drags.
Snow plows (not attached to but moved by locomotives).
Sprinkling cars.
Steam shovels.
Steam wrecking derricks.
Supply cars.
Sweeper cars.
Tool and block cars.
Tool cars.
Water cars.
Weed burners (mounted).
Wrecking cars.

APPURTENANCES TO WORK EQUIPMENT—RAIL

(See special instructions) section 22,

Air-brake equipment.
Beds and bedding.
Blocking.
Blocks and tackle.
Boilers on cars.
Bunks, seats, and chairs.
Chains.
China, crockery, and glassware.
Cushions.
Engines on cars.
Flue cleaners.
Hatchets.
Heating equipment.
Hooks.
Jacks.
Kitchen utensils.
Lighting equipment.
Linen.
Lines.
Machinery on cars.
Oil cans.
Rakes.
Ranges.
Shovels.
Slice bars and pokers.
Tool boxes.
Tools, miscellaneous.
Train-signal equipment.
Wrecking trucks.
Wrenches.

LIST OF WORK EQUIPMENT—FLOATING

(See special instructions, section 22)

Derricks.
Dredges.
Pile drivers.

APPURTENANCES TO WORK EQUIPMENT—FLOATING

(See special instructions, section 22)

Anchors.
Axes.
Barometers.
Beds and bedding.
Blocks and tackle.
Boilers and foundations.
Cables.
China, crockery, and glassware.
Compasses.
Cushions.
Desks.
Engines and foundations.
Fire extinguishers.
Fire buckets.
Floor coverings.
Flue cleaners.
Gangplanks.
Hatchets.
Heating equipment.
Hoisting equipment.
Hooks.
Keys.
Life preservers.
Lighting equipment.
Linen.
Lines.
Machinery and foundations.
Masts.
Oil cans.
Pumps.
Rakes.
Rigging.
Sails.
Seats and chairs.
Shovels.
Slice bars and pokers.
Steam distribution systems.
Steering equipment.
Tool boxes.
Tools, miscellaneous.
Wrenches.

NOTE.—The cost of repairs to work equipment on account of construction work shall be included in the cost of the construction work on which it is used. (See general instructions for the classification of investment in road and equipment, section 4c.)

327. WORK EQUIPMENT—DEPRECIATION.

This account shall include uniform monthly charges representing the depreciation of work equipment. These charges shall be based upon the percentage of the original cost (estimated if not known), ledger value, or purchase price of such equipment, determined to be equitable from the carrier's experience and best sources of information as to the average current loss from depreciation. A statement of the percentages used by the carrier for computing these charges, together with the estimated life of the equipment upon which such percentages are based, shall be included in its annual report to the Commission.

Depreciation charges with respect to any work equipment shall cease when the difference between the ledger value and the estimated scrap value shall have been credited to the accrued depreciation account.

(See general instructions for income, profit and loss, and general balance-sheet accounts, section 2.)

NOTE.—All charges to this account for depreciation of the carrier's equipment shall be concurrently credited to balance-sheet account No. 776, "Accrued depreciation—Equipment."

328. WORK EQUIPMENT—RETIREMENTS.

This account shall include amounts necessary to adjust the difference between the ledger value (less salvage) of work equipment retired from service and the amount of accrued depreciation charged on account of such retired equipment to the date of its retirement. (See road and equipment account II, Equipment, paragraphs 4 and 5.)

NOTE.—When work equipment is permanently retired from service, but held pending disposition, it shall be written out of service and carried in an appropriate suspense account at an equitable valuation.

329. MISCELLANEOUS EQUIPMENT—REPAIRS.

This account shall include the cost of repairing miscellaneous equipment, such as wagons, automobiles, and other highway vehicles, and harness.

(Note carefully special instructions, sections 2 and 3.)

330. MISCELLANEOUS EQUIPMENT—DEPRECIATION.

This account shall include uniform monthly charges representing the depreciation of miscellaneous equipment. These charges shall be based upon the percentage of the original cost (estimated if not known), ledger value, or purchase price of such equipment, determined to be equitable from the carrier's experience and best sources of information as to the average current loss from depreciation. A statement of the bases used by the carrier for computing these charges shall be included in its annual report to the Commission.

NOTE.—All charges to this account for depreciation of the carrier's equipment shall be concurrently credited to balance-sheet account No. 776, "Accrued depreciation—Equipment."

331. MISCELLANEOUS EQUIPMENT—RETIREMENTS.

This account shall include amounts necessary to adjust the difference between the ledger value (less salvage) of miscellaneous equipment, including horses, retired from service and the amount of accrued depreciation charged on account of such retired equipment to the date of its retirement. (See road and equipment account II, Equipment, paragraphs 4 and 5.)

NOTE.—Miscellaneous equipment permanently retired from service, but held pending disposition, shall be written out of service and carried in an appropriate suspense account at an equitable valuation.

332. INJURIES TO PERSONS.

This account shall include expenses on account of injuries to persons which occur directly in connection with repairs of equipment.

Services of employees and others called in consultation in relation to claim adjustments, pay and expenses of employees while engaged as witnesses at inquests and lawsuits, and a suitable proportion of donations made to hospitals shall be included in this account.

ITEMS OF EXPENSE

(See special instructions, section 22)

Artificial limbs.
Carriage fees.
Claim adjusters' and clerks 'services.
Claim adjusters' office expenses.
Compensation for injuries or death.
Final judgments, including plaintiffs' court costs.
Funeral expenses.
Hospital attendance.

Medical and surgical services.
Medical and surgical supplies.
Notarial fees.
Nursing.
Railway transportation.
Undertakers' services.
Undertakers' supplies.
Witnesses' fees and expenses at inquests and lawsuits.

NOTE A.—Expenses incident to personal injury suits, not otherwise provided for, shall be included in account No. 454, "Law expenses."

NOTE B.—Amounts donated by a carrier to hospitals shall be distributed, 25 per cent to account No. 274, "Injuries to persons"; 25 per cent to account No. 332, "Injuries to persons"; and 50 per cent to account No. 420, "Injuries to persons."

NOTE C.—The pay, office rent, and office and other expenses of claim adjusters, claim clerks, and others in charge of or engaged in connection with claim cases, when not assignable to a distinct class of claims, shall be apportioned equally among the several classes of claims over which they have jurisdiction or in connection with which they are engaged.

333. INSURANCE.

This account shall include premiums, except reinsurance premiums, for insuring the carrier against loss, through injuries to persons or damage to or destruction or loss of property, whether caused by fire, accident, or other cause, when such loss to the carrier would be chargeable to Maintenance of Equipment; also premiums on fidelity bonds of employees whose pay is chargeable to Maintenance of Equipment. (See special instructions, section 18.)

NOTE.—The premiums paid by the carrier to its insurance fund shall be credited to an insurance reserve account, to which account shall be charged the amount of all claims for injuries to persons and damages to the property covered by its insurance. To such account shall also be charged all reinsurance premiums paid to insurance companies, and to it shall be credited all amounts recovered from insurance companies for damage to the property reinsured by them.

334. STATIONERY AND PRINTING.

This account shall include the cost of stationery and printing used in connection with maintenance of equipment.

STATIONERY AND PRINTING ITEMS

(See special instructions, section 22)

Adding machines.
Addressographs and supplies.
Arm rests.
Binders.
Blank books.
Blotters.
Blotting paper.
Bristol board.
Calculating machines.
Calendars.
Carbon paper.
Cardboard.
Cards, blank and printed.
Circulars.

Computing tables.
Copy (impression) books.
Copying brushes.
Copying presses.
Crayons.
Cyclostyles.
Dating stamps and ribbons.
Dictaphones.
Dictographs.
Drawing paper.
Duplicators.
Electric pens.
Envelopes.
Erasers, rubber and steel.
Eyelet punches.
Eyelets.
File boxes, paper.
Forms, blank and printed.
Glass pens.
Hectographs.
Indexes.
Ink for writing and drawing.
Inkstands.
Invoice books.
Legal cap paper.
Letter paper.
Manifold paper.
Manifold pens.
Mimeographs.
Mucilage.
Mucilage brushes.
Neostyles.
Note paper.
Notices.
Numbering stamps.
Oil paper.
Paper.
Paper baskets.
Paper clips.
Paper cutters.
Paper fasteners.
Paper files.
Paper weights.
Papyrographs.
Parchment paper.
Pencil sharpeners.
Pencils for writing and drawing.
Penholders.
Penracks.
Pens for writing and drawing.
Phonographs and records.
Pins.
Postage.
Punches (not conductors' or baggagemen's).
Rubber bands.
Rubber stamps.
Rulers.
Ruling pens.
Scrapbooks.
Sealing wax.
Seals.
Shears.
Shipping tags.
Shorthand notebooks.
Sponge cups.
Sponges.
Stamps, impression.
Stylographs.
Tablets, blank and printed.
Tape.
Telegraph blanks.
Tissue (impression) paper.
Tracing cloth.
Tracing paper.
Twine.
Typewriters and ribbons.
Wage tables.
Wastebaskets.
Water colors.
Water holders.
Wrapping paper.
Wringers for copying presses.

NOTE.—The cost of dictionaries, periodicals, technical books, etc., shall be included in the appropriate superintendence accounts.

335. OTHER EXPENSES.

This account shall include expenses in connection with the maintenance of equipment not properly chargeable to other accounts for maintenance of equipment or to clearing accounts such as "Material store expenses" and "Shop expenses."

ITEMS OF EXPENSE

(See special instructions, section 22)

Pay and expenses of mechanical department employees attending conferences with officers in connection with mechanical department wage disputes.

Fees paid arbitrators in connection with mechanical department wage disputes.

Payments to mechanical department employees for time absent on account of sickness when not in compensation for personal injuries.

336. MAINTAINING JOINT EQUIPMENT AT TERMINALS—DR.

This account shall include the carrier's proportion of expenses incurred by others in maintaining equipment used for the operation of joint terminals, including the carrier's proportion of expenses of repairing equipment made necessary by accidents in terminals, when such expenses are participated in by more than one party using the joint terminals.

NOTE.—The purpose of this account is to show the amount accruing against the carrier for its proportion of the expense of maintaining equipment at terminals which is maintained by others and in the joint use of which the carrier participates.

337. MAINTAINING JOINT EQUIPMENT AT TERMINALS—CR.

This account shall include amounts chargeable to others as their proportions of expenses incurred by the carrier in maintaining equipment used for the operation of joint terminals, and for expenses of repairing equipment made necessary by accidents in terminals, when such expenses are participated in by more than one party using the joint terminals.

NOTE.—The purpose of this account is to show the amounts accruing in favor of the carrier and against others for their proportions of the expense of maintaining equipment at terminals which is maintained by the carrier and in the joint use of which others participate.

III. TRAFFIC.

The primary accounts included in this general account are designed to show the expenses incurred for advertising, soliciting, and securing traffic for the carrier's lines and for preparing and distributing tariffs governing such traffic.

The accounts for traffic expenses shall be kept in such manner as to show separately, by primary accounts, the expenses directly assignable to water-line operations.

351. SUPERINTENDENCE.

This account shall include:

PAY OF OFFICERS.—The pay of officers directly in charge of or engaged in supervising the procurement of traffic, and the preparation and distribution of tariffs, division sheets, and classifications.

LIST OF OFFICERS

(See special instructions, section 22)

Vice president.
Assistant to vice president.
Traffic director.
Traffic manager.
General freight agent.
Assistant general freight agent.
Chief of tariff bureau.
Traveling tariff inspector.
Live stock agent.
General passenger agent.
Assistant general passenger agent.
Division passenger agent.
Division freight agent.
General baggage agent.
General express agent.
General express manager.
Coal traffic agent.

PAY OF CLERKS AND ATTENDANTS.—The pay of clerks and other employees in the offices and on business cars of officers whose pay is chargeable to this account.

LIST OF EMPLOYEES

(See special instructions, section 22)

Chief clerk.
Clerks.
File clerks.
Stenographers.
Messengers.
Cooks.
Porters.
Attendants.

OFFICE AND OTHER EXPENSES.—Office expenses and other expenses of officers and employees whose pay is chargeable to this account.

ITEMS OF EXPENSE AND SUPPLIES

(See special instructions, section 22)

Atlases and maps.
Barometers.
Bicycles.
Books for office use.
Business car service.
Express charges.
Fees and dues in commercial and other clubs.
Furniture repairs and renewals.
Heating.
Lighting.
Official train service.
Periodicals and newspapers.
Power.
Provisions for business cars.
Rent of offices.
Repairs of rented offices.
Telegraph service.
Telephone service.
Traveling expenses.
Water and ice.

NOTE A.—When officers designated above have supervision over more than one department, their salaries, the pay of their clerks and attendants, and their office and other expenses shall be apportioned equally among the departments over which they have jurisdiction.

NOTE B.—The pay and expenses of officers engaged exclusively in soliciting traffic are chargeable to account No. 352, "Outside agencies."

NOTE C.—The cost of stationery for traffic offices is chargeable to account No. 358, "Stationery and printing," except stationery chargeable to accounts Nos. 354, 355, and 356.

352. OUTSIDE AGENCIES.

This account shall include the pay, and the office, traveling, and other expenses of general, commercial, city, and district agents and others soliciting traffic, the employees of their offices, and traveling agents and solicitors located on or off the line of the carrier's road.

City ticket and freight offices, separate from regular station ticket and freight offices, shall be treated as outside agencies; the pay and expenses of the employees therein and the expenses of such offices shall be charged to this account.

Commissions for services pertaining to either freight or passenger business, except commissions paid in lieu of salaries to carrier's agents located upon the carrier's own line (which shall be charged to account No. 373, "Station employees"), shall be included in this account.

ITEMS OF EXPENSE

(See special instructions, section 22)

Bicycles.
Books for office use.
Express charges.
Furniture repairs and renewals.
Heating.
Lighting.
Membership fees and dues in agency associations.
Membership fees and dues in commercial clubs.
Office supplies.
Periodicals and newspapers.
Rent of offices.
Repairs of rented offices.
Telegraph service.
Telephone service.
Traveling expenses.
Water and ice.

353. ADVERTISING.

This account shall include the cost of advertising for the purpose of securing traffic; pay of advertising agents, their clerks and attendants; rent of offices, and the office, traveling, and other expenses of such employees; also donations to carnivals,

local development associations, summer schools, and other gatherings, when made for the purpose of increasing traffic.

ITEMS OF ADVERTISING EXPENSE

(See special instructions, section 22)

Advertisements in newspapers.
Advertisements in periodicals.
Bulletin boards and cards.
Card cases.
Customs charges on advertising matter.
Display and other advertising cards.
Distributing folders.
Distributing general notices to shippers.
Distributing time-tables.
Dodgers.
Express charges.
Frames.
Handbills.
Maps used for advertising.
Pamphlets.
Photographs and views.
Postage.
Posters.
Publishing advertising matter.
Publishing folders.
Publishing notices to shippers.
Publishing time-tables.
Racks.

NOTE.—Advertising expenses of industrial and immigration bureaus shall be included in account No. 356, "Industrial and immigration bureaus."

354. TRAFFIC ASSOCIATIONS.

This account shall include the cost to the carrier of participation in traffic associations, including its proportion of the pay of officers and employees of such associations and of their office, stationery and printing, traveling, and other expenses.

LIST OF TRAFFIC ASSOCIATIONS

(See special instructions, section 22)

Boards of trade.
Classification bureaus.
Clergy bureaus.
Commercial associations.
Freight associations.
Mileage ticket bureaus.
Passenger associations.
Tariff bureaus.
Ticket validating agencies.

355. FAST FREIGHT LINES.

This account shall include the cost to the carrier of participation in fast freight or dispatch organizations, including its proportion of the pay of officers, soliciting agents, and employees of such organizations, and their office, stationery and printing, traveling, and other expenses.

356. INDUSTRIAL AND IMMIGRATION BUREAUS.

This account shall include the cost to the carrier of industrial and immigration bureaus, including the pay of industrial and

immigration agents, and exhibit agents, their clerks and attendants and their office, stationery and printing, traveling, and other expenses.

ITEMS OF EXPENSE

(See special instructions, section 22)

Advertising.
Agricultural trains.
Dairy trains.
Donations to expositions.
Donations to fairs.
Donations to stock shows.
Exhibits.
Experimental farms.
Good roads trains.
Premiums to fairs.
Premiums to stock shows.

357. INSURANCE.

This account shall include premiums, except reinsurance premiums, for insuring the carrier against loss through injuries to persons or damage to or destruction or loss of property, whether caused by fire, accident, or other cause, when such loss to the carrier would be chargeable to Traffic; also premiums on fidelity bonds of employees whose pay is chargeable to Traffic. (See special instructions, section 2.)

NOTE.—The premiums paid by the carrier to its insurance fund shall be credited to an insurance reserve account, to which account the amount of all claims for injuries to persons and damages to the property covered by its insurance shall be charged. To such account shall also be charged all reinsurance premiums paid to insurance companies, and to it shall be credited all amounts recovered from insurance companies for damage to the property reinsured by them.

358. STATIONERY AND PRINTING.

This account shall include the cost of stationery and printing used in connection with securing traffic, including the cost of tariffs governing such traffic.

STATIONERY AND PRINTING ITEMS

(See special instructions, section 22)

Adding machines.
Arm rests.
Binders.
Blank books.
Blotters.
Blotting paper.
Bristol board.
Calculating machines.
Calendars.
Carbon paper.
Cardboard.
Cards, blank and printed.
Circulars.
Classifications.
Computing tables.
Copy (impression) books.
Copying brushes.
Copying presses.

Crayons.
Cyclostyles.
Dating stamps and ribbons.
Dictaphones.
Dictographs.
Division sheets.
Duplicators.
Electric pens.
Envelopes.
Erasers, rubber and steel.
Eyelet punches.
Eyelets.
File boxes, paper.
Flexotype machines.
Forms, blank and printed.
Freight classifications.
Glass pens.
Hectographs.
Indexes.
Ink for writing and drawing.
Inkstands.
Invoice books.
Legal cap paper.
Letter paper.
Manifold paper.
Manifold pens.
Mimeographs.
Mucilage.
Mucilage brushes.
Neostyles.
Note paper.
Notices.
Numbering stamps.
Oil paper.
Paper.
Paper baskets.
Paper clips.
Paper cutters.
Paper fasteners.
Paper files.
Paper weights.
Papyrographs.
Pencil sharpeners.
Pencils for writing and drawing.
Penholders.
Penracks.
Pens for writing and drawing.
Phonographs and records.
Pins.
Postage.
Punches (not conductors' or baggagemen's).
Rate sheets.
Rubber bands.
Rubber stamps.
Rulers.
Ruling pens.
Scrapbooks.
Sealing wax.
Seals.
Shears.
Shipping tags.
Shorthand notebooks.
Sponge cups.
Sponges.
Stamps, impression.
Stylographs.
Tablets, blank and printed.
Tape.
Tariffs, printed.
Telegraph blanks.
Tissue (impression) paper.
Typewriters and ribbons.
Wage tables.
Wastebaskets.
Water colors.
Water holders.
Wrapping paper.
Wringers for copying presses.

NOTE A.—The cost of dictionaries, periodicals, technical books, etc., shall be included in the appropriate superintendence accounts.

NOTE B.—The cost of stationery and printing used by traffic associations, fast freight lines, and industrial and immigration bureaus shall be included in the accounts provided for the expenses of such organizations.

359. OTHER EXPENSES.

This account shall include all expenses in connection with traffic not properly chargeable to other traffic accounts.

IV. TRANSPORTATION—RAIL LINE.

The primary accounts included in this general account are designed to show expenses incurred for transporting persons and the property of others, including the expenses of station, train, yard, and terminal service; also the expense of transporting company material in transportation service trains.

371. SUPERINTENDENCE.

This account shall include:

PAY OF OFFICERS.—The pay of officers directly in charge of or engaged in conducting transportation.

LIST OF OFFICERS

(See special instructions, section 22)

Vice president.
Assistant to the vice president.
General manager.
Assistant general manager.
General superintendent of transportation.
Superintendent of transportation.
General superintendent.
Assistant general superintendent.
Superintendent.
Division superintendent.
Assistant division superintendent.
Superintendent of car service.
Chief special agent.
Members of examining boards.
Superintendent of mail service.
Traveling train and station inspectors.
Air-brake instructor.
Superintendent of agencies.
Superintendent of transfer stations
Trainmaster.
Assistant trainmaster.
General road foreman of locomotives.
Road foreman of locomotives.
Traveling locomotive engineer.
Traveling locomotive fireman.

PAY OF CLERKS AND ATTENDANTS.—The pay of clerks and others employed in the offices and on business cars of officers whose pay is chargeable to this account.

LIST OF EMPLOYEES

(See special instructions, section 22)

Division clerk.
Chief clerk.
Clerks.
Special agents.
Detectives.
Stenographers.
Messengers.
Cooks.
Porters.

OFFICE AND OTHER EXPENSES.—Office expenses and other expenses of officers and employees whose pay is chargeable to this account; also the pay and expenses of employees attending investigations concerning the cause of or responsibility for ac-

cidents, and amounts paid detective agencies and others for work in connection with such investigations.

ITEMS OF EXPENSE AND SUPPLIES

(See special instructions, section 22)

Atlases and maps.
Barometers.
Books for office use.
Business car service.
Express charges.
Fees and dues in associations.
Furniture repairs and renewals.
Heating.
Lighting.
Official train service.
Periodicals and newspapers.
Power.
Provisions for business cars.
Rent of air-brake instruction cars.
Rent of offices.
Repairs of rented offices.
Telegraph service.
Telephone service.
Traveling expenses.
Water and ice.

NOTE A.—When officers designated above have supervision over more than one department, their salaries, the pay of their clerks and attendants, and their office and other expenses shall be apportioned equally among the departments over which they have jurisdiction.

NOTE B.—The cost of stationery purchased for transportation offices is chargeable to account No. 410, "Stationery and printing."

372. DISPATCHING TRAINS.

This account shall include the pay of chief and other train dispatchers, their clerks, copying operators, and attendants, and pay of operators on the line whose duties are confined to directing train movements; also the office, traveling, and other expenses of such employees.

NOTE.—Pay of operators who also perform station work shall be charged to account No. 373, "Station employees."

373. STATION EMPLOYEES.

This account shall include:

AGENTS, CLERKS, AND ATTENDANTS.—The pay of agents, clerks, and attendants in charge of, or engaged in, the operation of stations, wharves, and piers located on the carrier's line; also payments to such station or ticket agents in lieu of salaries.

Special payments to customs inspectors on account of opening and resealing cars under unusual conditions, and payments to produce-exchange inspectors for inspecting, measuring, and weighing grain shall be here included.

LIST OF EMPLOYEES

(See special instructions, section 22)

Accountants.
Assistant agents.
Assistant depot masters.
Assistant stationmasters.
Baggage agents at stations.
Baggagemen.
Car clerks.
Cashiers.
Chauffeurs.
Clerks.
Collectors.
Customs inspectors.
Depot masters.
Detectives.
Express agents.
Gatemen.
Information bureau employees.
Janitors.
Maids.
Matrons.
Messengers.
Package and parcel room employees.
Policemen.
Porters.
Relief agents.
Station agents.
Station foremen.
Station passenger agents.
Station freight agents.
Stationmasters.
Telegraph and telephone operators.
Ticket agents.
Ticket collectors.
Ticket examiners.
Train callers.
Ushers.
Watchmen.

LABOR AT STATIONS.—Station and other labor expended in handling freight, mail, baggage, and express at stations, wharves, and piers; in loading, unloading, feeding, and watering stock; in disinfecting stations, stockyards, and stock pens; in transferring, picking up, straightening, and reloading freight in the ordinary course of transportation; in miscellaneous station work, including (when done by station employees) cleaning station grounds, station platforms, walks, stockyards, and stock pens, and removing snow and ice therefrom; and in tending switch lamps not in yards and terminals.

Payments to elevator companies (when not made as division of rate) for transferring grain en route, and payments to other companies and individuals for loading and unloading commercial freight under contract or otherwise shall be included in this account.

LIST OF EMPLOYEES

(See special instructions, section 22)

Baggage storeroom employees.
Car sealers.
Checkmen.
Coal handlers.
Coopers.
Delivery men.
Electricians.
Freight callers.
Freight handlers.
Freight house foremen.
Freight loaders.
Freight unloaders.

Longshoremen.
Mail carriers.
Mail weighers.
Station cleaners.
Stationary engineers.
Stationary firemen.
Stevedores.
Stock-pen laborers.
Tallymen.
Teamsters.
Truckmen.
Warehousemen.
Weighmasters.

NOTE A.—The cost of transferring freight, mail, baggage, and express on account of wrecks shall be included in account No. 415, "Clearing wrecks."

NOTE B.—This account shall not include the pay of telegraph and telephone operators provided for under accounts No. 372, "Dispatching trains," and No. 407, "Telegraph and telephone operation," or pay of employees provided for under account No. 375, "Coal and ore wharves."

374. WEIGHING, INSPECTION, AND DEMURRAGE BUREAUS.

This account shall include the cost to the carrier of its participation in joint weighing, inspection, demurrage, and car distribution bureaus and associations.

375. COAL AND ORE WHARVES.

This account shall include the cost of operating docks, and wharves, piers, and other marine, lake, or river landings, and the machinery located thereon, used in connection with the transportation of coal and ore.

LABOR AND EXPENSES.—The pay and the office, traveling, and other expenses of employees engaged in operating coal and ore wharves.

TOOLS AND SUPPLIES.—The cost of all tools and supplies used in the operation of coal and ore wharves.

ITEMS OF TOOLS AND SUPPLIES

(See special instructions, section 22)

Cylinder oil.
Fuel for stationary boilers.
Illuminating oil.
Lantern parts.
Lanterns.
Lubricating oil.
Picks.
Shovels.
Slice bars.
Waste.
Wicks.

NOTE.—The cost of switching service in connection with coal and ore wharves shall not be included in this account.

376. STATION SUPPLIES AND EXPENSES.

This account shall include:

HEATING.—The cost of fuel (including cost of unloading),

water, steam, and miscellaneous supplies used for heating stations, waiting rooms, freight and passenger offices, and other station buildings.

LIGHTING.—The cost of fuel, water, gas, oil, electricity, lamp globes, lamp chimneys, wicks, lamp carbons, incandescent lamps, and miscellaneous supplies used in lighting stations, waiting rooms, freight and passenger offices, other station buildings, street approaches thereto, and passenger footbridges and subways at stations.

OTHER EXPENSES.—The cost of miscellaneous station supplies and station expenses.

ITEMS OF EXPENSE

(See special instructions, section 22)

Cleaning privy vaults.
Express charges.
Feeding and shoeing horses.
Furniture repairs and renewals.
Garage expenses.
Licenses for ticket agents.
Mail transfer by others than employees.
Membership fees and dues in agents' associations.
Power for station machinery.
Rent of automatic weighing and recording devices.
Rent of scales.
Rent of station buildings (not jointly used).
Reports to agents of commercial standing.
Sprinkling station grounds.
Station employees' expenses.
Telegraph service.
Telephone service
Warehouse charges for storage of freight.
Washing towels.

ITEMS OF TOOLS AND SUPPLIES

(See special instructions, section 22)

Atlases and maps.
Auto trucks.
Awnings.
Axes.
Badges.
Baggage checks.
Barometers.
Baskets.
Bicycles.
Blocking.
Brooms.
Brushes.
Buckets.
Bulletin boards.
Call bells.
Candles.
Car-seal presses.
Car seals.
Carpets.
Chains.
Chair cushions.
Chairs.
Chalk.
Chamois skins.
Check boxes.
Check racks.
Checks.
Clocks.
Coal hods.
Cold chisels.
Cooperage material.
Copy-press stands.

Counter brushes.
Counter scales.
Cups.
Curtains.
Cuspidors.
Desks.
Dippers.
Directories.
Dusters.
Electric fans.
Electric lamps.
Electric-light supplies.
Feather dusters.
Feed for horses.
Files, document.
Fire buckets.
Fire grenades.
Flags.
Floor coverings.
Gangplanks.
Gas.
Gasoline.
Hampers.
Hatchets.
Hoes.
Hooks.
Hose and couplings.
Ice.
Ice barrels.
Ice boxes.
Ice buckets.
Ice carts.
Ice tongs.
Keys.
Ladders.
Lamp burners.
Lamp chimneys.
Lamp fittings.
Lamp globes.
Lamp mantles.
Lampblack.
Lamps (not permanently attached to buildings).
Lantern fittings.
Lantern globes.
Lanterns.
Letters boxes.
Mail bags.
Marking brushes.
Marking pots.
Marline.
Matches.
Measures.
Medical boxes.
Medical supplies.
Mirrors.
Money drawers.
Nails for boxing.
Newspapers.
Oil.
Oil cans.
Packing material.
Padlocks.
Pails.
Pinch bars.
Punches for baggagemen and gatemen.
Rakes.
Reflectors.
Rolling chairs for invalids.
Safes.
Sawdust.
Saws.
Scoops.
Scales, portable.
Scrubbing brushes.
Settees.
Shovels.
Sledges.
Soap.
Spades.
Sponges.
Sprinkling cans.
Stools.
Stove blacking.
Stoves and stovepipe.
Switch lamp supplies at points where regular switching service is not maintained.
Tables.
Tacks.
Tarpaulins (not for cars).
Thermometers.
Ticket cases.
Tongs.
Tool boxes.
Torpedoes.
Towels.
Trucks.
Twine.
Uniforms.
Washbasins.
Waste.
Water.

Water barrels.
Water bowls.
Water cans.
Water coolers.
Water pails.
Wheelbarrows.
Whisk brooms.
Wicks.
Wrenches.

377. YARDMASTERS AND YARD CLERKS.

This account shall include the pay of general yardmaster, yardmaster, assistant yardmaster, general yard foreman, and yard clerks and attendants in yards where regular switching service is maintained and in terminal switching and transfer service, including employees engaged in calling yardmen and trainmen; also pay of policemen, watchmen, and detectives in yard service. (See account No. 389, "Yard supplies and expenses.")

378. YARD CONDUCTORS AND BRAKEMEN.

This account shall include the pay of yard conductors or foremen and yard brakemen or switchmen handling cars in passenger and freight yards where regular switching service is maintained and in terminal switching and transfer service, including pay while deadheading in connection with such service. (See account No. 389, "Yard supplies and expenses.")

NOTE.—When conductors and brakeman are engaged in both train and yard service their pay shall be apportioned between the train and yard accounts on the basis of service rendered. This does not apply to train switching service performed by train crews, the entire pay of whom shall be charged to account No. 401, "Trainmen."

379. YARD SWITCH AND SIGNAL TENDERS.

This account shall include the pay of employees in yards where regular switching service is maintained, who are engaged in the operation of yard switches and signals, including interlockers used solely or principally for the government of all movements of locomotives and trains between main and yard tracks, movements of locomotives between yard tracks and enginehouses, and yard switching movements. (See account No. 389, "Yard supplies and expenses.")

LIST OF EMPLOYEES

(See special instructions, section 22)

Battery men.
Interlocker oilers.
Lamp cleaners.
Lamp men.
Lamplighters.
Lever men.
Signalmen.
Switch oilers.
Switch tenders.
Tower men.

380. YARD ENGINEMEN.

This account shall include the pay of yard engineers, and firemen while engaged in yards where regular switching service is maintained and in terminal switching and transfer service, including pay of such employees while deadheading in connection with yard service.

NOTE.—The pay of enginemen on locomotives engaged in more than one class of service shall be apportioned on the basis of service rendered. Pay of enginemen on train locomotives while engaged in train switching service shall be included in account No. 392, "Train enginemen." The pay of enginemen on locomotives engaged in work service shall be included in the cost of the work to which the service pertains.

381. YARD MOTORMEN.

This account shall include the pay of yard motormen while engaged in switching service in yards where regular switching service is maintained, and in terminal switching and transfer service, including pay of such employees while deadheading in connection with yard service.

NOTE.—The pay of motormen on locomotives engaged in more than one class of service shall be apportioned on the basis of service rendered. Pay of motormen on train locomotives while engaged in train switching service shall be included in account No. 393, "Train motormen." The pay of motormen on locomotives engaged in work service shall be included in the cost of the work to which the service pertains.

382. FUEL FOR YARD LOCOMOTIVES.

This account shall include the cost, delivered on locomotive tenders, of coal, coke, oil, wood, and other fuel consumed by locomotives in switching service in yards where regular switching service is maintained, and in terminal switching and transfer service, including a suitable proportion of the pay of fuel agents, fuel inspectors, fuel weighers, and clerks engaged in accounting for fuel at fuel stations; pay of foremen and other fuel-station

employees; also a suitable proportion of the cost of tools, such as wheelbarrows, shovels, scoops, and picks, used for handling fuel at such stations, and the cost of operating machinery at fuel stations.

NOTE A.—The cost of repairs and renewals of coal chutes, buggies, pockets, air hoists, mechanical hoists, and mechanical conveyors at fuel stations shall be charged to account No. 233, "Fuel stations."

NOTE B.—The cost of supplies consumed by locomotives engaged in more than one class of service shall be apportioned upon the basis of service rendered. The entire cost of supplies consumed by train locomotives in train switching service shall be included in the accounts provided for train service. The supplies consumed by locomotives in work service shall be included in the cost of the work to which the service pertains.

383. YARD SWITCHING POWER PRODUCED.

This account shall include the cost of the production and distribution of electric power used in operating locomotives and cars in switching service in yards where regular switching service is maintained, and in terminal switching and transfer service.

EMPLOYEES.—The pay of employees engaged in operating electric-power stations and substations, such as engineers, firemen, electricians, dynamo men, oilers, cleaners, and coal passers.

FUEL.—The cost of coal, oil, gas, and other fuel, including the cost of labor unloading or stocking fuel.

WATER.—The cost of water used to produce steam or to operate water plants, including pumping, rent of ponds, streams, and pipe lines; also water tests, boiler compounds, and other like supplies and expenses.

OTHER SUPPLIES AND EXPENSES.—The cost of lubricants, such as oil and grease used in lubricating engines, shafting, dynamos, and pumps; cost of waste, carbon brushes, fuses, lamps, and other supplies; also the cost of heating and lighting power plants, and other expenses not elsewhere specified in connection with operation of electric-power plants. (See special instructions, section 12.)

NOTE.—The cost of supplies consumed by locomotives engaged in more than one class of service shall be apportioned upon the basis of

service rendered. The entire cost of supplies consumed by train locomotives in train switching service shall be included in the accounts provided for train service. The supplies consumed by locomotives in work service shall be included in the cost of the work to which the service pertains.

384. YARD SWITCHING POWER PURCHASED.

This account shall include the cost of electric power purchased for the propulsion of engines and cars in switching service in yards where regular switching service is maintained, and in terminal switching and transfer service.

NOTE.—The cost of supplies consumed by locomotives engaged in more than one class of service shall be apportioned upon the basis of service rendered. The entire cost of supplies consumed by train locomotives in train switching service shall be included in the accounts provided for train service. The supplies consumed by locomotives in work service shall be included in the cost of the work to which the service pertains.

385. WATER FOR YARD LOCOMOTIVES.

This account shall include the cost of water supplied to locomotives in switching service in yards where regular switching service is maintained, and in terminal switching and transfer service, including rent of ponds, lakes, other sources of water supply, and right of way for pipe lines; cost of water purchased, expenses of work trains while engaged in hauling water for locomotive supply, and cost of testing water; also cost of labor expended and cost of materials and supplies used in the operation of water stations and purifying plants.

The cost of operating boilers, engines, and pumps at water stations; heating and lighting water stations, breaking ice in water tanks, thawing out tank spouts and water cars, keeping fires in tanks and water cars to prevent freezing, shoveling snow into locomotive tanks; also temporary connections between water cars and locomotive tenders, compounds injected into locomotive boilers to decrease scale formation, and other expenses directly incident to the supplying of water to such locomotives, shall be included in this account.

An equitable proportion of the pay and the office, traveling, and other expenses of superintendent of water service engaged in connection with water supply for locomotives shall be included in this account.

ITEMS OF WATER STATION SUPPLIES

(See special instructions, section 22)

Axes.
Boiler compounds.
Chemicals.
Coal.
Coal picks.
Engine igniter batteries.
Gasoline.
Gasoline drums.
Hand tools.
Hose.
Oil.
Rubber packing.
Shovels.
Siphons.
Slice bars.
Stove fixtures.
Stoves.
Waste.
Wrenches.

NOTE.—The cost of supplies consumed by locomotives engaged in more than one class of service shall be apportioned upon the basis of service rendered. The entire cost of supplies consumed by train locomotives in train switching service shall be included in the accounts provided for train service. The supplies consumed by locomotives in work service shall be included in the cost of the work to which the service pertains.

386. LUBRICANTS FOR YARD LOCOMOTIVES.

This account shall include the cost of valve, engine, car, and other lubricating oils, grease, compounds, and waste used for lubrication of locomotives in switching service in yards where regular switching service is maintained and in terminal switching and transfer service.

NOTE.—The cost of supplies consumed by locomotives engaged in more than one class of service shall be apportioned upon the basis of service rendered. The entire cost of supplies consumed by train locomotives in train switching service shall be included in the accounts provided for train service. The supplies consumed by locomotives in work service shall be included in the cost of the work to which the service pertains.

387. OTHER SUPPLIES FOR YARD LOCOMOTIVES.

This account shall include the cost of supplies, other than fuel, water, and lubricants, used on locomotives in switching service in yards where regular switching service is maintained and in terminal switching and transfer service, including the cost of repairs and renewals of furniture, tools, and other movable articles required for use in locomotives in yard service.

The cost of sand charged to this account shall include the cost of material and supplies used in preparing and drying the sand for use, such as the cost of fuel, wheelbarrows, shovels, and sand screens.

ITEMS OF TOOLS AND SUPPLIES

(See special instructions, section 22)

Ash hoes.
Ash-pan rods.
Axes.
Bars, buggy.
Bell cords.
Boxes, portable.
Brooms.
Brushes.
Buckets.
Carbide for acetylene gas.
Carbons for electric lights.
Chimneys for headlights.
Chimneys for signal lamps.
Chisels.
Clinker hooks.
Crowbars.
Files.
First-aid boxes.
Flags.
Globes for lanterns.
Grate shakers.
Hammers.
Handsaws.
Hatchets.
Hose (not air-brake, air-signal, or steam).
Hose, thaw-out.
Hose reels.
Ice.
Jacks.
Jackscrews.
Lanterns and parts.
Locks for portable boxes.
Matches.
Oil cans.
Oil for headlights.
Oil for lanterns.
Oil for signal lamps.
Oil for torches.
Oilers.
Packing hooks.
Packing spoons.
Picks, coal.
Pinch bars.
Plugging bars.
Pokers.
Sand.
Saws.
Scoops.
Shovels.
Signal lamps.
Sledges.
Slice bars.
Soap.
Switch chains.
Switch poles.
Switch ropes.
Tool boxes, portable.
Torches.
Torpedoes.
Waste.
Water buckets.
Water coolers.
Wicks for headlights.
Wicks for lanterns.
Wicks for signal lamps.
Wicks for torches.
Wrecking frogs.
Wrenches.

NOTE A.—Where the quantity of sand used on locomotives engaged in yard service is relatively small as compared with the quantity used by locomotives engaged in train service, the entire cost of such material shall be included in account No. 399, "Other supplies for train locomotives." Where the quantity used in yard service is relatively large, the entire cost shall be included in this account.

NOTE B.—The cost of other supplies consumed by locomotives engaged in more than one class of service shall be apportioned upon the basis of service rendered. The entire cost of supplies consumed by train locomotives in train switching service shall be included in the accounts provided for train service. The supplies consumed by locomotives in work service shall be included in the cost of the work to which the service pertains.

388. ENGINEHOUSE EXPENSES—YARD.

This account shall include the expense of caring for and preparing locomotives for switching service in yards where regular switching service is maintained and in terminal switching and transfer service, including a proportion of such expenses as are common to train, yard switching, and work service.

ENGINEHOUSE MEN.—The pay of enginehouse employees engaged in wiping, cleaning, watching, and dispatching locomotives; keeping and preparing fires, dumping ashes, washing boilers, cleaning fire boxes, packing driving boxes and truck boxes; cleaning smokestacks, air-brake equipment, and front ends of locomotives; checking locomotive tool equipment, cleaning ash and cinder pits; operating turntables, drying sand, inspecting smokestacks and ash pans; calling enginemen; and moving locomotives around engine yards when operated by hostlers; also a proportion of the pay of enginehouse foremen and their clerks.

MISCELLANEOUS EXPENSES.—The cost of tools, supplies, and sundry expenses on account of caring for and preparing locomotives at enginehouses.

ITEMS OF MISCELLANEOUS EXPENSES

(See special instructions, section 22)

Boiled oil.
Compounds for cleaning and polishing.
Enginehouse cupboards.
Gas, oil, and electricity for lighting.
Heating enginehouses, including offices.
Lampblack.
Lanterns used by enginehouse men.
Lighting enginehouses, including offices.
Lubricating oil for enginehouse, ash pit, transfer table, and turntable machinery.
Lye.
Packing tools.
Paint for front ends of locomotives.
Power for operation of turntables and transfer tables.
Rent of roundhouse stalls.
Shovels.
Signal lights on transfer tables and turntables.
Waste.
Water for cinder pits.
Water for washing boilers.
Water hose.
Wheelbarrows.

NOTE A.—Enginehouse expenses of locomotives in work service shall be included in the cost of the work to which the service pertains.

NOTE B.—The pay of mechanics and laborers engaged in locomotive repair work in enginehouses shall be charged to the appropriate accounts for locomotive repairs.

389. YARD SUPPLIES AND EXPENSES.

This account shall include the cost of supplies (except locomotive supplies, used in yard service, yard signal and interlocker supplies, and miscellaneous yard expenses for yards where regular switching service is maintained; also office and other expenses of employees whose pay is chargeable to accounts Nos. 377, 378, and 379.

ITEMS OF YARD SUPPLIES

(See special instructions, section 22)

Electric-light carbons.
Electric-light globes.
Flags.
Fuel for heating.
Fuel for power.
Illuminating oil.
Lamp burners.
Lamp chimneys.
Lamp wicks.
Lantern globes.
Lantern wicks.
Lanterns.
Lubricants for machinery and switches.
Semaphore lamps.
Signal lamps.
Stoves.
Switch chains.
Switch lamps.
Switch ropes.
Waste.
Wrecking frogs.
Wrecking wedges.

ITEMS OF YARD EXPENSE

(See special instructions, section 22)

Electricity purchased for lighting yards and yard buildings.
Furniture repairs and renewals.
Gas purchased for lighting yards and yard buildings.
Power produced for operating switches and signals.
Power purchased for operating switches and signals.
Rent of telephones.
Rent of yard buildings (not jointly used).

390. OPERATING JOINT YARDS AND TERMINALS—DR.

This account shall include the carrier's proportion of the costs incurred by others in their operation of joint yards and terminals, including signals, interlockers, and other facilities at such joint yards and terminals.

NOTE A.—The purpose of this account is to show the amounts accruing against the carrier for its proportion of the cost of operating yards and terminals operated by others, and in the joint use of which the carrier participates. (See special instructions, section 9.)

NOTE B.—No proportions of items of expense chargeable by the operating carrier to accounts Nos. 392 to 402, inclusive, shall be included in this account.

391. OPERATING JOINT YARDS AND TERMINALS—CR.

This account shall include amounts chargeable to others as their proportions of the costs incurred by the carrier in the operation of joint yards and terminals, including signals, interlockers, and other facilities at such joint yards and terminals.

NOTE A.—The purpose of this account is to show the amounts accruing in favor of the carrier and against others for their proportions of the cost of operating yards and terminals operated by the carrier and in the joint use of which others participate. (See special instructions, section 9.)

NOTE B.—No proportions of items of expense chargeable by the operating carrier to accounts Nos. 392 to 402, inclusive, shall be included in this account.

392. TRAIN ENGINEMEN.

This account shall include the pay of steam locomotive engineers and firemen while engaged in transportation train service or while deadheading in connection therewith and pay of such enginemen engaged in piloting trains over home lines; also the pay of employees while regularly engaged in shoveling coal forward on locomotive tenders.

NOTE.—The pay of enginemen on locomotives engaged in more than one class of service shall be apportioned on the basis of service rendered. Pay of enginemen on train locomotives while engaged in train switching service shall be included in this account. The pay of enginemen on locomotives engaged in work service shall be included in the cost of the work to which the service pertains.

393. TRAIN MOTORMEN.

This account shall include the pay of motormen while engaged in running other than steam locomotives and cars in transportation train service or while deadheading in connection therewith; also the pay and expenses of motormen while engaged in piloting trains or cars over home lines.

NOTE.—The pay of motormen on locomotives engaged in more than one class of service shall be apportioned on the basis of service rendered. Pay of motormen on train locomotives while engaged in train switching service shall be included in this account. The pay of motormen on locomotives engaged in work service shall be included in the cost of the work to which the service pertains.

394. FUEL FOR TRAIN LOCOMOTIVES.

This account shall include the cost, delivered on locomotive tenders, of coal, coke, oil, wood, and other fuel consumed by

locomotives in transportation train service, including a suitable proportion of the pay of fuel agents, fuel inspectors, fuel weighers, and clerks engaged in accounting for fuel at fuel stations; pay of foremen and other fuel station employees; also a suitable proportion of the cost of tools, such as wheelbarrows, shovels, scoops, and picks, used for handling fuel at such stations, and the cost of operating machinery at fuel stations.

NOTE A.—The cost of repairs and renewals of coal chutes, buggies, pockets, air hoists, mechanical hoists, and mechanical conveyors shall be charged to account No. 233, "Fuel stations."

NOTE B.—The entire cost of supplies consumed by train locomotives in train switching service shall be included in the accounts provided for train service. The supplies consumed by locomotives in work service shall be included in the cost of the work to which the service pertains.

395. TRAIN POWER PRODUCED.

This account shall include the cost of producing and distributing electric power for the propulsion of electric locomotives and cars in transportation train service.

EMPLOYEES.—The pay of employees engaged in operating electric-power stations and substations, such as engineers, firemen, electricians, dynamo men, oilers, cleaners, and coal passers.

FUEL.—The cost of coal, oil, gas, and other fuel, including the cost of labor unloading or stocking fuel.

WATER.—The cost of water used to produce steam or to operate water plants, including pumping, rent of ponds, streams, and pipe lines; also water tests, boiler compounds, and other like supplies and expenses.

OTHER SUPPLIES AND EXPENSES.—The cost of lubricants, such as oil and grease, used in lubricating engines, shafting, dynamos, and pumps; cost of waste, carbon brushes, fuses, lamps, and other supplies; also cost of heating and lighting power plants, and other expenses not elsewhere specified in connection with operation of electric-power plants. (See special instructions, section 12.)

NOTE.—The entire cost of supplies consumed by train locomotives in train switching service shall be included in the accounts provided for train service. The supplies consumed by locomotives in work service shall be included in the cost of the work to which the service pertains.

396. TRAIN POWER PURCHASED.

This account shall include the cost of electric power purchased for the propulsion of locomotives and cars in transportation train service.

NOTE.—The entire cost of supplies consumed by train locomotives in train switching service shall be included in the accounts provided for train service. The supplies consumed by locomotives in work service shall be included in the cost of the work to which the service pertains.

397. WATER FOR TRAIN LOCOMOTIVES.

This account shall include the cost of water supplied to locomotives in transportation train service, including rent of ponds, lakes, other sources of water supply, and right of way for pipe lines; cost of water purchased, expenses of supply trains while engaged in hauling water for locomotive supply, and cost of testing water; also cost of labor expended and cost of material and supplies used in the operation of water stations and purifying plants.

The cost of operating boilers, engines, and pumps at water stations, heating and lighting water stations, breaking ice in water tanks, thawing out tank spouts and water cars, keeping fires in tanks and water cars to prevent freezing, shoveling snow into locomotive tanks; also temporary connections between water cars and locomotive tenders, compounds injected into locomotive boilers to decrease scale formation, and other expenses directly incident to the supplying of water to such locomotives, shall be included in this account.

An equitable proportion of the pay and the office, traveling, and other expenses of superintendent of water service, engaged in connection with water supply for locomotives, shall be included in this account.

ITEMS OF WATER STATION SUPPLIES

(See special instructions, section 22)

Axes.
Boiler compounds.
Chemicals.
Coal.
Coal picks.
Engine igniter batteries.
Gasoline.
Gasoline drums.
Hand tools.
Hose.
Oil.
Rubber packing.
Shovels.
Siphons.
Slice bars.
Stove fixtures.
Stoves.
Waste.
Wrenches.

NOTE.—The entire cost of supplies consumed by train locomotives in train switching service shall be included in the accounts provided for train service. The supplies consumed by locomotives in work service shall be included in the cost of the work to which the service pertains.

398. LUBRICANTS FOR TRAIN LOCOMOTIVES.

This account shall include the cost of valve, engine, car, and other lubricating oils, grease, compounds, and waste used for lubrication of locomotives in transportation train service.

NOTE.—The entire cost of supplies consumed by train locomotives in train switching service shall be included in the accounts provided for train service. The supplies consumed by locomotives in work service shall be included in the cost of the work to which the service pertains.

399. OTHER SUPPLIES FOR TRAIN LOCOMOTIVES.

This account shall include the cost of supplies other than fuel, water, and lubricants, including the cost of repairs and renewals of furniture, tools, and other movable articles required for use on locomotives in transportation train service.

The cost of sand charged to this account shall include the cost of material and supplies used in preparing and drying the sand for use, such as the cost of fuel, wheelbarrows, shovels, and sand screens.

ITEMS OF TOOLS AND SUPPLIES

(See special instructions, section 22)

Ash hoes.
Ash-pan rods.
Axes.
Bars, buggy.
Bell cords.
Boxes, portable.
Brooms.
Brushes.
Buckets.
Carbide for acetylene gas.
Carbons for electric lights.
Chimneys for headlights.
Chimneys for signal lamps.
Chisels.
Clinker hooks.
Crowbars.
Files.
First-aid boxes.
Flags.
Globes for lanterns.
Grate shakers.
Hammers.
Handsaws.
Hatchets.
Hose (not air-brake, air-signal, or steam).
Hose, thaw-out.
Hose reels.
Ice.
Jacks.
Jackscrews.
Lanterns and parts.
Locks for portable boxes.
Matches.
Oil cans.
Oil for headlights.
Oil for lanterns.
Oil for signal lamps.
Oil for torches.
Oilers.
Packing, fiber.
Packing, rubber.

Packing hooks.
Packing spoons.
Picks, coal.
Pinch bars.
Plugging bars.
Pokers.
Sand.
Saws.
Scoops.
Shovels.
Signal lamps.
Sledges.
Slice bars.
Soap.
Switch chains.
Switch poles.
Switch ropes.
Tool boxes, portable.
Torches.
Torpedoes.
Waste.
Water buckets.
Water coolers.
Wicks for headlights.
Wicks for lanterns.
Wicks for signal lamps.
Wicks for torches.
Wrecking frogs.
Wrenches.

NOTE A.—Where the quantity of sand used on locomotives engaged in train service is relatively small as compared with the quantity used by locomotives engaged in yard service, the entire cost of such material shall be included in account No. 387, "Other supplies for yard locomotives." Where the quantity used in train service is relatively large, the entire cost shall be included in this account.

NOTE B.—The entire cost of supplies consumed by train locomotives in train switching service shall be included in the accounts provided for train service. The supplies consumed by locomotives in work service shall be included in the cost of the work to which the service pertains.

400. ENGINEHOUSE EXPENSES—TRAIN.

This account shall include the expense of caring for and preparing locomotives for transportation train service, including a proportion of such expenses as are common to train, yard switching, and work service.

ENGINEHOUSE MEN.—The pay of enginehouse employees engaged in wiping, cleaning, watching, and dispatching locomotives; preparing and keeping fires, dumping ashes, washing boilers, cleaning fire boxes, packing driving boxes and truck boxes; cleaning smokestacks, air-brake equipment, and front ends of locomotives; checking locomotive tool equipment, cleaning ash and cinder pits; operating turntables, drying sand, inspecting smokestacks and ash pans; and moving locomotives around engine yards when operated by hostlers; also a proportion of the pay of enginehouse foremen and their clerks.

MISCELLANEOUS EXPENSES.—The cost of tools and supplies and sundry expenses on account of caring for and preparing locomotives at enginehouses.

ITEMS OF MISCELLANEOUS EXPENSES

(See special instructions, section 22)

Boiled oil.
Compounds for cleaning and polishing.
Gas, oil, and electricity for lighting.
Heating enginehouses, including offices.
Lampblack.
Lanterns used by enginehouse men.
Lighting enginehouses, including offices.
Lubricating oil.
Lye.
Packing tools.
Paint for front ends of locomotives.
Power for operation of turntables and transfer tables.
Rent of roundhouse stalls.
Shovels.
Signal lights on transfer tables and turntables.
Waste.
Water for cinder pits.
Water for washing boilers.
Water hose.
Wheelbarrows.

NOTE A.—Enginehouse expenses of locomotives in work service shall be included in the cost of the work to which the service pertains.

NOTE B.—The pay of mechanics and laborers engaged in locomotive repair work in enginehouses shall be charged to the appropriate accounts for locomotive repairs.

401. TRAINMEN.

This account shall include the pay of conductors; of train auditors, ticket collectors, and others engaged in lifting or examining authorities for transportation; and of baggagemen, brakeman, flagmen, train porters, train guards, train stenographers, maids, and other train employees while engaged in transportation train service or while deadheading in connection therewith; also the pay of trainmen while engaged in piloting trains over home lines.

NOTE.—The pay of trainmen while engaged in work-train service shall be included in the cost of the work to which the service pertains.

402. TRAIN SUPPLIES AND EXPENSES.

This account shall include miscellaneous expenses of transportation service trains and the cost of all supplies other than locomotive supplies.

CLEANING CARS.—The cost of cleaning and disinfecting passenger and freight cars in transportation train service, including cost of removing from freight-train cars such refuse material as sawdust, hay, and straw.

ITEMS OF SERVICE AND SUPPLIES

(See special instructions, section 22)

Brooms.
Brushes.
Cleaning compounds.
Compressed air.
Disinfectants.
Disinfecting machines.
Fuel for heating water.
Hose and fixtures.
Labor of employees.
Polishing compounds.
Soap.
Sponges.
Water.

HEATING CARS.—The cost of heating cars in transportation train service, including cost of operating steam-heating plants for car heating at stations and yards.

ITEMS OF SERVICE AND SUPPLIES

(See special instructions, section 22)

Connections between steam heating lines and cars.
Fuel.
Labor of employees.
Removal of ashes from car stoves.
Stoves temporarily in freight cars.

LIGHTING CARS.—The cost of lighting cars in transportation train service, including the cost of filling and cleaning lamps and of operating plants for supplying gas or electricity for lighting purposes.

ITEMS OF SERVICE AND SUPPLIES

(See special instructions, section 22)

Battery renewals.
Candles.
Chimneys.
Electricity.
Gas.
Gas mantles.
Globes.
Hose and connections.
Incandescent lamp bulbs.
Labor of employees.
Lamp carbons.
Oil.
Shades.
Wicks.

NOTE.—Repairs of gas lighting and electric lighting plants shall be included in the proper maintenance accounts. Repairs and renewals of electric lighting equipment of cars, except supplies as above provided, shall be included in the appropriate car-repair account.

LUBRICATING CARS.—The cost of lubricating cars in transportation train service, including cost of inspecting, repacking, and oiling car journal boxes and air-brake equipment.

ITEMS OF SERVICE AND SUPPLIES

(See special instructions, section 22)

Cotton waste.
Grease buckets.
Labor of employees.
Oil cans.
Oil, grease, and other lubricants.
Packing buckets.
Packing hooks.
Packing irons.
Packing, miscellaneous.
Wool waste.

ICING AND WATERING CARS.—The cost of icing and watering cars in transportation train service, including icing cars for refrigeration purposes. Credits shall be made to this account for refrigeration charges collection from other companies and individuals.

ITEMS OF SERVICE AND SUPPLIES

(See special instructions, section 22)

Buckets.
Hose and fixtures.
Ice.
Ice tools.
Labor of employees.
Ladders.
Salt.
Water.

DETOURING TRAINS.—The compensation for temporary use of tracks of other carriers, including the cost of pilot service, on account of wrecks, washouts, landslides, snow blockades, and other defects of the tracks, bridges, or tunnels on the carrier's line.

TRAIN SUPPLIES.—The cost of supplies furnished for use on cars in transportation train service.

ITEMS OF TRAIN SUPPLIES

(See special instructions, section 22)

Axes.
Badges.
Beds.
Bell cords.
Boxes for trainmen.
Brooms.
Brushes.
Chains.
Chairs for cabooses (not permanently attached).
Cold chisels.
Combs.
Conductors' punches.
Cuspidors.
Drinking cups and glasses.
Fire buckets.
Flags.
Fuses.
Hammers.
Hatchets.
Jacks.
Lamp boards.
Lamp sticks.
Lantern globes.
Lantern parts.
Lanterns.
Matches.
Medical boxes.
Oil for lanterns.
Order hoops.
Padlocks.
Pails.
Punches.
Sawdust.
Saws.
Scoops.
Shovels.
Signal boxes.
Signal lamps (rear).
Sledges.
Soap.
Switch chains.
Switch ropes.
Toilet paper.
Torpedoes.
Towels.
Train tool boxes.
Uniform trimmings.
Uniforms.
Ventilator sticks.
Waste.
Water buckets.
Wrecking frogs.
Wrenches.

OTHER EXPENSES.—The cost of miscellaneous supplies required to equip trains for transportation service and miscellaneous expenses incident to operation of such trains.

ITEMS OF EXPENSE ON ACCOUNT OF EMPLOYEES

(See special instructions, section 22)

Apparatus for testing the sight and hearing of enginemen and trainmen.

Employees' reading and bunk room expense, including pay of attendants and supplies furnished.

Laundry work.

Physicians' fees for examination of train employees.

Wages paid to superintendents and secretaries of reading rooms.

ITEMS OF EXPENSE ON ACCOUNT OF TRANSPORTATION

(See special instructions, section 22)

Bedding for stock cars.

Boarding and slatting box and stock cars for carrying coal, coke, and other freight.

Boards for flooring fruit cars.

Chains for securing loads.

Cleaning, trimming, and filling trainmen's lanterns and rear signal lamps.

Coupling and uncoupling cars at terminals.

Disinfecting cars.

Dunnage used in loading cars or fitting cars for freight shipments.

Feed for live stock in snow-bound or otherwise delayed trains.

Flowers and plants for cars.

Laundry for revenue service cars other than for dining and buffet service and sleeping car service.

Occasional turning of engines on Y of other carriers.

Oil and other supplies for locomotives hauled as freight.

Periodicals for use of passengers on trains.

Planking cars for billet shipments and other material.

Provisions, supplies, or board for passengers in delayed trains.

Removing advertisements from cars.

Rent of fare registers in cars.

Safety chains for use between twin and triple cars.

Supplies for parlor and chair cars.

Supplies furnished cars for the purpose of protection against accidents and fires.

Temporary grain doors.

Temporary lining of cars for freight shipments and stoves and heaters to prevent freezing.

Temporary openings in cars for freight shipments.

Temporary racking of cars for handling sugar-cane, corn, bark, or cordwood.

Transferring passengers, express matter, baggage, mail, and freight on account of defective tracks, bridges, or tunnels.

NOTE.—The expenses of operating sleeping, dining, and buffet car features of train service shall be included in the account No. 403, "Oper-

ating sleeping cars," or in account No. 441, "Dining and buffet service," as may be appropriate.

403. OPERATING SLEEPING CARS.

This account shall include the cost of operating sleeping car service on trains.

SUPERINTENDENCE.—The pay of officers directly in charge of operating sleeping car service; the pay of their clerks and office attendants; also the office, traveling, and other expenses of such officers and employees.

STATION EMPLOYEES.—The pay and expenses of local agents, ticket agents, cashiers, clerks, and attendants; also the office and other expenses of such employees.

STATION EXPENSES.—The expenses of fuel, water, steam, and supplies used in heating station offices; gas, oil, electric current, and other supplies for lighting; repairs and renewals of station furniture, and all other station expenses connected with sleeping car service when separable from the station expenses chargeable to account No. 376, "Station supplies and expenses."

CONDUCTORS.—The pay of conductors employed on sleeping cars.

PORTERS AND MAIDS.—The pay of porters and maids employed on sleeping cars.

CAR SUPPLIES.—The cost of miscellaneous supplies used on sleeping cars, such as combs, brushes, brooms, and toilet paper; also uniforms, caps, and service stripes for employees.

LAUNDRY.—Expenses for laundry work, such as laundering sheets, pillowcases, towels, blankets, etc.

OTHER EXPENSES.—The cost of flowers and plants, heating cars, cleaning the interior of cars, and of supplies used in interior cleaning, rent and cost of supplies for rooms furnished for sleeping car service employees, and such other expenses in connection with the operation of sleeping cars as are not provided for elsewhere.

NOTE.—When officers have immediate supervision over sleeping car service and other operations their pay, office, and other expenses, as also the pay, office, and other expenses of their assistants, clerks, and office attendants, shall be equitably apportioned to the accounts appropriate to the operations over which they have supervision.

404. SIGNAL AND INTERLOCKER OPERATION.

This account shall include the cost of operating signals and interlockers other than those solely or principally used for governing all movements of locomotives and trains between main and yard tracks, movements of locomotives between yard tracks and enginehouses, and yard switching movements.

LABOR.—The wages of employees engaged in operating signals and interlockers or power producing plants in connection therewith, such as switch tenders, signalmen other than telegraph operators, lever men, switch and signal oilers, battery men, lamp men, lamp cleaners, and lamplighters; gatemen at crossings of other railroads, engineers and others operating plants furnishing compressed air for signals and interlockers; engineers, electricians, and others operating plants furnishing electric power for signals and interlockers.

SUPPLIES.—The cost of supplies used in operating signals and interlockers or in signal offices, such as gasoline, vitriol, battery zincs, battery coppers, lubricating oils, fuel for heating, fuel for power purposes, produced and purchased power used in operating switches and signals, furniture repairs and renewals, water, and light.

NOTE.—The cost of operating signals and interlockers solely or principally used for governing the movement of yard locomotives and trains shall be included in the appropriate yard expense accounts.

405. CROSSING PROTECTION.

This account shall include the pay of street and highway crossing gatekeepers and flagmen, the cost of supplies used by them, the cost of lights at street and highway crossings not a part of the lighting outfit at stations or in yards, and the cost of compressed air for operating gates.

406. DRAWBRIDGE OPERATION.

This account shall include the cost of operating drawbridges.

LABOR.—The wages of employees engaged in operating drawbridges, such as bridge engineers, tenders, and watchmen.

SUPPLIES.—The cost of produced and purchased power and of supplies, such as fuel, oil, lanterns, water, waste, boats, stoves, chairs, brooms, and pails used in drawbridge operation.

407. TELEGRAPH AND TELEPHONE OPERATION.

This account shall include the cost of telegraph and telephone operation not provided for elsewhere.

SUPERINTENDENCE—TELEGRAPH.—The pay of superintendents of telegraph, telegraph censors, their clerks, and attendants.

TELEGRAPH OPERATORS AND MESSENGERS.—The pay of telegraph operators, block inspectors, and messengers in telegraph and relay offices other than those employed in dispatching trains and those located in general offices or at stations.

OTHER TELEGRAPH EXPENSES.—Office, traveling, and incidental expenses, including office rent, of employees whose pay is chargeable to this account; rent of telegraph conduits, lines, and poles; cost of battery renewals and supplies, bicycles for messengers, and electric current for telegraph purposes; also excess payments to telegraph companies when in connection with telegraph service and not provided for elsewhere.

NOTE A.—The pay, rent, other office expenses, and traveling expenses of superintendents of telegraph, their assistants, clerks, and attendants, when engaged both in maintaining and operating telegraph lines shall be apportioned equally between this account and account No. 247, "Telegraph and telephone lines."

SUPERINTENDENCE—TELEPHONE.—The pay of superintendents of telephone, their clerks, and attendants.

TELEPHONE OPERATORS AND MESSENGERS.—The pay of telephone operators and messengers in telephone offices other than those employed in dispatching trains and those located in general offices or at stations.

OTHER TELEPHONE EXPENSES.—Office, traveling, and incidental expenses, including office rent, of employees whose pay is chargeable to this account; rent of telephone conduits, lines, and poles; cost of battery renewals and supplies, bicycles for messengers, and electric current for telephone purposes; also excess payments to telephone companies when in connection with telephone service and not provided for elsewhere.

NOTE B.—The pay, rent, other office expenses, and traveling expenses of superintendents of telephone, their assistants, clerks, and attendants, when engaged both in maintaining and operating telephone lines, shall be apportioned equally between this account and account No. 247, "Telegraph and telephone lines."

408. OPERATING FLOATING EQUIPMENT.

This account shall include the cost of operating floating equipment in water transfer service (ferriage, lighterage, and floatage). (See general instructions, section 1.)

SUPERINTENDENCE.—The pay of vice presidents and other officers directly in charge of or engaged in the operation of boats; the pay of their assistants, clerks, and attendants; also the office, traveling, and other expenses of such officers and their employees.

WAGES OF CREWS.—The pay of captains, pilots, chief officers, mates, sailors, wireless telegraph operators, and other employees of the deck department; engineers, assistant engineers, electricians, oilers, firemen, coal passers, and all other employees of the engineer's department; and pursers, porters, and all other employees in the steward's department, except when engaged in dining and buffet service.

FUEL.—The cost, on board boats (including the cost of trimming) of coal, oil, wood, and other fuel used for generating power, heat, or light.

LUBRICATION.—The cost of oil, grease, tallow, graphite, and other material furnished for lubricating purposes.

OTHER SUPPLIES AND DEPARTMENTAL EXPENSES.—The cost of supplies furnished to deck department; the incidental expenses of deck department employees; supplies other than fuel and lubricants, furnished the engineer's department; water furnished to boats; incidental expenses of engineer's department employees; supplies (other than dining and buffet supplies) furnished to the steward's department; laundry for boats; and incidental expenses of steward's department employees.

ITEMS OF SUPPLIES

(See special instructions, section 22)

Axes.
Brooms.
Brushes.
Commissarial supplies.
Flags.
Gas.
Globes.
Grease.
Handspikes.
Hatchets.
Hose.
Ice.
Lamps.
Laundry.
Lines.
Mops.
Oil.
Pails.

Planks.
Provisions.
Ropes.
Shovels.
Soap.
Tallow.
Tools, miscellaneous.
Trucks.
Waste.
Water.
Wicks.
Wrenches.

OTHER EXPENSES.—Expenses incident to the operation of floating equipment not otherwise provided for in this account.

ITEMS OF EXPENSE

(See special instructions, section 22)

Customhouse fees.
License fees.
Pumping out boats laid up.
Raising sunken boats.
Transferring passengers in case of accidents.
Wharfage.

ELEVATION AND LONGSHORE LABOR.—The cost of shore labor in connection with loading and unloading lighterage freight at wharves and piers, such as labor of bridgemen at transfer bridges and of watchmen, longshoremen, stevedores, and other wharf men.

ELEVATION AND SHORE EXPENSES.—Shore expenses in connection with loading and unloading lighterage freight, such as the cost of steam and electricity for power, heating, and lighting; power and supplies used for transfer or float bridges; supplies used in connection with operating wharves and piers and not chargeable to account No. 376, "Station supplies and expenses."

ITEMS OF SUPPLIES

(See special instructions, section 22)

Brooms.
Carbons.
Chalk.
Coal hods.
Coal shovels.
Cold chisels.
Crowbars.
Gas.
Hammers.
Hatchets.
Ice.
Ice tongs.
Incandescent lights.
Lamps, reflector.
Lanterns.
Marline.
Matches.
Oil.
Oil cans.
Pails.
Pinch bars.
Ropes.
Salt.
Scoops.
Shovels.
Soap.
Tacks.
Tallow.
Torches.
Towels.
Twine.
Waste.
Water.
Water coolers.
Wheelbarrows.

NOTE A.—When the compensation for the use of floating equipment used in water transfer service includes rent, maintenance, and operation, the portion covering rent shall be charged to income account No. 539, "Rent for floating equipment," the portion covering maintenance shall be charged to the appropriate account for maintenance of equipment, and the portion covering operation shall be included in this account.

NOTE B.—The cost of labor expended in transferring freight between cars and boats shall be distributed in such manner as to include in account No. 373, "Station employees," the expense of handling between the cars and the string piece of the wharf or rail of the boat, and to include in this account the expense of handling upon the boats.

409. EXPRESS SERVICE.

This account shall include the cost of operating express service.

DRIVERS AND MESSENGERS.—Pay of express messengers, drivers, and helpers, and cost of their uniforms, uniform trimmings, and badges; and pay of baggagemasters handling express.

OTHER EXPENSES.—Pay of stablemen in express service, rent of stables, and expense of feeding and shoeing horses.

410. STATIONERY AND PRINTING.

This account shall include the cost of stationery and printing used in connection with rail line transportation, including operation of floating equipment.

STATIONERY AND PRINTING ITEMS

(See special instructions, section 22)

Adding machines.
Addressographs and supplies.
Arm rests.
Baggage checks, printed.
Baggage scrip.
Baggage storage checks.
Bills of lading.
Binders.
Blank books.
Blotters.
Blotting paper.
Bristol board.
Calculating machines.
Calendars.
Carbon paper.
Cardboard.
Cards, blank and printed.
Circulars.
Computing tables.
Conductors' hat checks.
Copy (impression) books.
Copying brushes.
Copying presses.
Crayons.
Cross-section books.
Cross-section paper.
Cyclostyles.
Dating stamps and ribbons.
Delivery tickets.
Dictaphones.
Dictographs.
Drawing paper.
Duplicators.
Electric pens.
Envelopes.
Erasers, rubber and steel.
Eyelet punches.
Eyelets.
File boxes, paper.
Forms, blank and printed.
Fuel tickets.
Glass pens.

Hectographs.
Indexes.
Ink for writing and drawing.
Inkstands.
Invoice books.
Legal cap paper.
Letter paper.
Manifold paper.
Manifold pens.
Mileage books.
Mimeographs.
Mucilage.
Mucilage brushes.
Neostyles.
Note paper.
Notices.
Numbering stamps.
Oil paper.
Paper.
Paper baskets.
Paper clips.
Paper cutters.
Paper fasteners.
Paper files.
Paper weights.
Papyrographs.
Parchment paper.
Pencil sharpeners.
Pencils for writing and drawing.
Penholders.
Penracks.
Pens for writing and drawing.
Phonographs and records.
Pins.
Postage.
Punches (not conductors' or baggagemen's).
Rubber bands.
Rubber stamps.
Rulers.
Ruling pens.
Scrapbooks.
Sealing wax.
Seals.
Shears.
Shipping orders.
Shipping tags.
Shorthand notebooks.
Sponge cups.
Sponges.
Stamps, impression.
Stylographs.
Tablets, blank and printed.
Tape.
Telegraph blanks.
Ticket stamps.
Tickets.
Time-tables (employees).
Tissue (impression) paper.
Tracing cloth.
Tracing paper.
Twine.
Typewriters and ribbons.
Wage tables.
Wastebaskets.
Water colors.
Water holders.
Waybills.
Wrapping paper.
Wringers for copying presses.

NOTE.—The cost of dictionaries, periodicals, technical books, etc., shall be included in appropriate superintendence accounts, and city directories and books for reference used by station agents shall be charged to account No. 376, "Station supplies and expenses."

411. OTHER EXPENSES.

This account shall include all expenses in connection with rail line transportation not properly chargeable to other transportation accounts.

ITEMS OF EXPENSE

(See special instructions, section 22)

Amounts paid for switching empty cars otherwise than in connection with loaded movements or with the repairs to the equipment.

Amounts paid on account of bills of lading issued on fraudulent receipts.

Amounts paid to suspended transportation department employees covering periods of suspension.

Compensation for property loss incident to failure to stop at station to pick up passengers.

Demurrage accruing on a foreign line by reason of error of carrier's agent.

Extra drayage due to agent's error in routing interline shipment.

Fees paid arbitrators in wage disputes of transportation department employees.

Loss of station funds by burglary, when not covered by insurance.

Loss of train collections in holdup.

Overcharges paid foreign lines on account of error of the carrier's agent in routing and billing.

Pay and expenses of transportation department employees attending conferences with officers in connection with wage disputes.

Payments for switching on account of cars not passing inspection at junction points.

Penalties imposed under reciprocal demurrage laws for failure to furnish cars.

"Penalty switching" payments on account of improper delivery of cars to other carriers.

412. OPERATING JOINT TRACKS AND FACILITIES—DR.

This account shall include the carrier's proportion of the transportation expenses incurred by others in the operation of joint tracks, interlockers, and other facilities which are not provided for in account No. 390, "Operating joint yards and terminals—Dr."

NOTE A.—The purpose of this account is to show the amount accruing against the carrier for its proportion of the cost of operating tracks and facilities (other than at joint yards and terminals) operated by others and in the joint use of which the carrier participates. (See special instructions, section 9.)

NOTE B.—No proportions of items of expense chargeable by the operating carrier to accounts Nos. 392 to 402, inclusive, shall be included in this account.

413. OPERATING JOINT TRACKS AND FACILITIES—CR.

This account shall include amounts chargeable to others as their proportions of transportation expenses incurred by the carrier in the operation of joint tracks, interlockers, and other facilities which are not provided for in account No. 391, "Operating joint yards and terminals—Cr."

NOTE A.—The purpose of this account is to show the amounts accruing in favor of the carrier and against others for their proportions of the cost of operating tracks and facilities (other than at joint yards and terminals) operated by the carrier and in the joint use of which others participate. (See special instructions, section 9.)

NOTE B.—No proportions of items of expense chargeable by the operating carrier to accounts Nos. 392 to 402, inclusive, shall be included in this account.

414. INSURANCE.

This account shall include premiums, except reinsurance premiums, for insuring the carrier against loss through injuries to persons or damage to or destruction or loss of property, whether caused by fire, accident, or other cause, when such loss to the carrier would be chargeable to Transportation—Rail Line; also premiums on fidelity bonds of employees whose pay is chargeable to Transportation—Rail Line. (See special instructions, section 18.)

NOTE.—The premiums paid by the carrier to its insurance fund shall be credited to an insurance reserve account, to which account shall be charged the amount of all claims for injuries to persons and damages to the property covered by its insurance. To such account shall also be charged all reinsurance premiums paid to insurance companies, and to it shall be credited all amounts recovered from insurance companies for damage to property reinsured by them.

415. CLEARING WRECKS.

This account shall include the cost of clearing wrecks other than wrecks of work trains.

LABOR.—The wages of employees while engaged in connection with wrecking service, loading, and transferring contents of wrecked cars, building temporary tracks around wrecks, and removing such tracks.

TRAIN SERVICE.—The cost of train service in connection with replacing wrecked equipment upon the tracks and transporting such equipment to shops for repairs, including amounts paid to other companies for service of locomotives, derricks, and other equipment and for wages of crews in wrecking service.

OTHER SUPPLIES AND EXPENSES.—Payments for reloading or transferring freight, express, baggage, and mail; transferring passengers, and cost of provisions or board for men clearing up or watching at wrecks.

NOTE A.—Expenses of clearing wrecks of work trains shall be included in the cost of the work in connection with which the wrecked train was engaged.

NOTE B.—The cost of restoring roadbed and tracks to original condition after wrecks and the cost of repairing equipment damaged or destroyed by wrecks shall be charged to the appropriate accounts for maintenance of way and structures and maintenance of equipment.

NOTE C.—That proportion of payments to other companies for use of locomotives, derricks, and other equipment in wrecking service which represents rent shall be included in the income accounts.

416. DAMAGE TO PROPERTY.

This account shall include payments and expenses on account of damages to the property of others, whether by fire, collision, flood, or other cause, with the exception of payments and expenses on account of damage to property intrusted to the carrier for transportation, and for damage to stock on right of way. It shall include also fines or compensation paid for interference with the business of others, as by detention of vessels at drawbridges, or by blocking streets.

This account shall include also the pay, office rent, and office, traveling, and other expenses of employees and others engaged as claim adjusters or as witnesses in lawsuits in connection with damage to property cases, or engaged in detection of thieves; notarial fees paid in connection with such cases; and payments for or repairs of damage to equipment of other carriers, or to property contained therein, such carriers having trackage rights upon or grade crossings over the carrier's tracks.

NOTE A.—Damage to live stock on right of way, and damage to freight and baggage intrusted for transportation, are provided for under accounts No. 417, "Damage to live stock on right of way"; No. 418, "Loss and damage—Freight"; and No. 419, "Loss and damage—Baggage."

NOTE B.—Expenses incident to suits growing out of damage to property claims, not otherwise provided for, shall be included in account No. 454, "Law expenses."

NOTE C.—The pay, office rent, and the traveling, office, and other expenses of claim adjusters, claim clerks, and others engaged in claim matters when not accurately assignable to a distinct class of claims, shall be apportioned equally among the several classes of claims over which they have jurisdiction or in connection with which they are engaged. This provision does not apply to the pay and expenses of general officers or general office employees whose pay is includible in general account VII, General.

417. DAMAGE TO LIVE STOCK ON RIGHT OF WAY.

This account shall include payments on account of cattle and other live stock killed or injured while crossing or trespassing on the right of way, including cost of removing and burying the same.

There shall be included in this account also the pay and the traveling, office, and other expenses of employees and others engaged as live-stock claim adjusters or engaged as witnesses in lawsuits in connection with damage to live stock on right of way; also notarial fees in connection with claims for damage to live stock on right of way.

NOTE A.—Expenses incident to suits growing out of live-stock claims, not otherwise provided for, shall be included in account No. 454, "Law expenses."

NOTE B.—The pay, office rent, and the traveling, office, and other expenses of claim adjusters, claim clerks, and others engaged in claim matters when not accurately assignable to a distinct class of claims, shall be apportioned equally among the several classes of claims over which they have jurisdiction or in connection with which they are engaged. This provision does not apply to the pay and expenses of general officers or general office employees whose pay is includible in general account VII, General.

418. LOSS AND DAMAGE—FREIGHT.

This account shall include payments and expenses on account of loss, destruction, damage, or delays to revenue freight shipments, including locomotives and cars transported as freight, express matter, milk shipments, and live stock, and expenses incurred on account of such payments; also expenses on account of loss, destruction, or damage to shipments of company material.

This account shall also include the cost of repacking and boxing damaged freight shipments; notarial fees in connection with freight claims; freight charges paid other carriers on lost, destroyed, or damaged shipments; pay, traveling, office, and other expenses of employees or others engaged as freight-claim adjusters, as witnesses in lawsuits in connection with freight-claim cases, in selling damaged and unclaimed shipments, or in detecting thieves; rent of warehouses used for storage of damaged and astray freight shipments, payments for storage of such

shipments in public warehouses, and interest and penalties assessed for nonpayment of freight claims.

Amounts received from the sale of astray and damaged freight shall be credited to this account.

NOTE A.—Expenses incident to suits growing out of loss and damage (freight) claims, not otherwise provided for, shall be included in account No. 454, "Law expenses."

NOTE B.—The pay, office rent, and traveling, office, and other expenses of claim adjusters, claim clerks, and others engaged in claim matters when not accurately assignable to a distinct class of claims, shall be apportioned equally among the several classes of claims over which they have jurisdiction or in connection with which they are engaged. This provision does not apply to the pay and expenses of general officers or general office employees whose pay is includible in general account VII, General.

419. LOSS AND DAMAGE—BAGGAGE.

This account shall include payments for loss, destruction, damage, or delays to baggage and other personal carried property as baggage, and damage to personal apparel; also expenses on account of such loss or damage.

This account shall also include the cost of repacking and boxing damaged baggage; notarial fees in connection with baggage claims; baggage claim payments made to other carriers on lost, destroyed, damaged, or delayed shipments; pay, traveling, office, and other expenses of employees or others engaged as baggage claim adjusters, as witnesses in lawsuits in connection with baggage claim cases, in selling damaged and unclaimed baggage, or in detecting thieves; rent of warehouses used exclusively for storage of damaged and unclaimed baggage, payments for storage of such shipments in public warehouses, and interest and penalties assessed for nonpayment of claims.

Amounts received from the sale of astray and damaged baggage shall be credited to this account.

NOTE A.—Expenses incident to suits growing out of loss and damage (baggage) claims, not otherwise provided for, shall be included in account No. 454, "Law expenses."

NOTE B.—The pay, office rent, and traveling, office, and other expenses of claim adjusters, claim clerks, and others engaged in claim matters when not accurately assignable to a distinct class of claims shall be apportioned equally among the several classes of claims over which they have jurisdiction or in connection with which they are engaged. This provision does not apply to the pay and expenses of general

officers or general office employees whose pay is includible in general account VII, General.

NOTE C.—When a payment on account of injuries to passengers includes allowance for damage to personal apparel the damage allowance shall be included in this account when separable; otherwise in the appropriate personal injury account.

420. INJURIES TO PERSONS.

This account shall include expenses on account of injuries to persons which occur directly in connection with transportation service, including damages for ejectment of passengers.

Services of employees and others called in consultation in relation to claim adjustments; pay and expenses of employees while engaged as witnesses as inquests and lawsuits, and a suitable proportion of donations made to hospitals, shall be included in this account.

ITEMS OF EXPENSE

(See special instructions, section 22)

Artificial limbs.
Carriage fees.
Claim adjusters' and clerks' services.
Claim adjusters' office expenses.
Compensation for injuries or death.
Final judgments, including plaintiffs' court costs.
Funeral expenses.
Hospital attendance.
Medical and surgical services.
Medical and surgical supplies.
Notarial fees.
Nursing.
Railway transportation.
Undertakers' services.
Undertakers' supplies.
Witnesses' fees and expenses at inquests and lawsuits.

NOTE A.—Expenses incident to personal injury suits, not otherwise provided for, shall be included in account No. 454, "Law expenses."

NOTE B.—Amounts donated by a carrier to hospitals shall be distributed, 25 per cent to account No. 274, "Injuries to persons"; 25 per cent to account No. 332, "Injuries to persons"; and 50 per cent to account No. 420, "Injuries to persons."

NOTE C.—The pay, office rent, and traveling, office, and other expenses of claim adjusters, claim clerks, and others engaged in claim matters, when not accurately assignable to a distinct class of claims, shall be apportioned equally among the several classes of claims over which they have jurisdiction or in connection with which they are engaged. This provision does not apply to the pay and expenses of general officers or general office employees whose pay is includible in general account VII, General.

NOTE D.—When a payment on account of injuries to persons includes allowance for damage to personal apparel, the damage allowance shall be included in account No. 419, "Loss and damage—Baggage," when separable; otherwise the entire payment shall be included in this account.

V. TRANSPORTATION—WATER LINE.

The primary accounts included in this general account are designed to show the expenses incurred in transporting persons and property by water lines.

When the compensation for the use of floating equipment used in water-line operations includes rent, maintenance, and operation, the portion covering rent shall be charged to income account No. 539, "Rent for floating equipment," the portion covering maintenance shall be charged to the appropriate accounts for maintenance of equipment, and the portion covering operation shall be distributed to the primary accounts in this account. (See general instructions, section 1.)

431. OPERATION OF VESSELS.

This account shall include the cost of operating vessels in water-line service.

It shall include:

SUPERINTENDENCE.—The pay of vice presidents and other officers directly in charge of or engaged in the operation of vessels; the pay of their assistants, clerks, and attendants; also the office, traveling, and other expenses of such officers and their employees.

WAGES OF CREWS.—The pay of captains, pilots, chief officers, mates, sailors, wireless telegraph operators, and other employees of the deck department; engineers, assistant engineers, electricians, oilers, firemen, coal passers, and all other employees of the engineer's department; and pursers, stewards, stewardesses, cooks, pantrymen, waiters, porters, and all other employees in the steward's department.

FUEL.—The cost, on board vessels (including the cost of trimming), of coal, oil, wood, and other fuel used for generating power, heat, or light.

LUBRICATION.—The cost of oil, grease, tallow, graphite, and other material furnished for lubricating purposes.

STATIONERY AND PRINTING.—The cost of stationery and printing used in connection with the operation of vessels. (For stationery and printing items, see expense account No. 410.)

FOOD SUPPLIES.—The cost of all food supplies furnished to the steward's department.

BAR SUPPLIES.—The cost of all wines, liquors, beers, ales, mineral waters, cigars, cigarettes, tobacco, and other bar supplies.

OTHER SUPPLIES AND DEPARTMENTAL EXPENSES.—The cost of supplies furnished to deck department; the incidental expenses of deck department employees; supplies, other than fuel and lubricants, furnished the engineer's department; water furnished to ships; and incidental expenses of engineer's department employees; supplies (other than food and bar) furnished to the steward's department; laundry for ships; and incidental expenses of steward's department employees.

LAY-UP EXPENSES.—The pay of crews and all other transportation expenses incurred on account of floating equipment when laid up and not undergoing repairs or betterment.

OTHER EXPENSES.—Expenses incident to the operation of vessels not otherwise provided for in this account.

NOTE A.—When officers enumerated above have supervision over other departments also, their pay, office and other expenses, as also the pay, office and other expenses of their assistants, clerks, and attendants, shall be equitably apportioned among the departments over which they have jurisdiction.

NOTE B.—The rent for offices and other structures of minor importance used in the operation of vessels shall be included in this account. The rent for such property of major importance, which is ordinarily leased for a period of years, shall be included in Income.

432. OPERATION OF TERMINALS.

This account shall include the expenses of the operation of terminals devoted to water-line operations. It shall include:

SUPERINTENDENCE.—The pay of vice presidents and other officers in charge of or engaged in the operation of terminals; the pay of their assistants, clerks, and attendants; also the office, traveling, and other expenses of such officers and their employees; the salaries of agents, clerks, and attendants; the pay of port or station agents and their employees; the pay of wharf employees (except stevedores and other laborers provided for in the subheading "Stevedore and wharf labor"); agency and office expenses; expenses of telegraph and telephone service; postage, heat, light, power, water, ice, furniture, and other sup-

plies (except stationery and printing); and incidental office and traveling expenses of port or station agents, their clerks, and attendants.

STATIONERY AND PRINTING.—The cost of stationery and printing used in connection with the operation of terminals. (For stationery and printing items see expense account No. 410.)

STEVEDORE AND WHARF LABOR.—The pay of stevedores, foremen, and longshoremen when engaged directly in loading and unloading vessels; payments for labor in connection with handling, trimming, and stowing cargoes in vessels, including payments to companies and individuals engaged to handle cargoes by contract; and the pay of laborers on wharves when engaged in piling, tiering, and handling freight, and in unloading and loading baggage.

TUGS AND LIGHTERS—OPERATION.—Expenses in connection with the operation of tugs, lighters, and other floating equipment employed in terminal operations, including superintendence, wages, fuel, water, lubricants, food supplies, wharfage, and laborers engaged in handling lightered cargoes (except directly to or from ships).

SWITCHING, LIGHTERAGE, AND OTHER TRANSFERS.—Payments made to other companies or individuals for lightering, switching, or transferring freight; teaming; operating team transfers owned by the carrier; and other expenses in connection with the transfer of freight not provided for in the foregoing paragraph or in revenue account No. 121, "Freight."

LIGHT, HEAT, POWER AND WATER.—The expenses of light, heat, power, and water used in the operation of terminals (except in agents' or superintendents' offices), both when purchased and when produced by the carrier.

WHARF SUPPLIES AND EXPENSES.—The cost of supplies used by and expenses of wharf employees, such as meals furnished, advertising for wharf employees, cost or rent of equipment for watchmen, firemen, and police; uniforms for wharf employees; supplies for coopering, marking, and tagging freight; car standards, binders, etc.; and expenses not chargeable as repair items incident to keeping wharves in proper condition.

OTHER EXPENSES.—Expenses incident to the operation of

terminals not otherwise provided for in this account, including harbor master's fees, quarantine expenses, customhouse and other port charges.

NOTE A.—When officers enumerated above have supervision over other departments also, their pay, office and other expenses, as also the pay, office and other expenses of their assistants, clerks, and attendants, shall be equitably apportioned among the departments over which they have jurisdiction.

NOTE B.—The rent for offices and other structures of minor importance used in the operation of terminals shall be included in this account. The rent for such property of major importance, which is ordinarily leased for a period of years, shall be included in Income.

433. INCIDENTAL.

This account shall include incidental transportation expenses in connection with water-line operations. It shall include:

LOSS AND DAMAGE—FREIGHT.—Payments and expenses for loss, damage, delays, or destruction of freight (including company material); uncollectible freight charges paid other carriers on misrouted, lost, damaged, or destroyed shipments; cost of repacking and boxing damaged merchandise; pay and expenses of employees and others engaged as adjusters and in detecting thieves; and the pay and expenses of employees and others engaged as witnesses in lawsuits in connection with loss and damage cases. The net amount received from the sale of astray and damaged freight shall be credited to this account.

LOSS AND DAMAGE—BAGGAGE.—Payments and expenses for loss, damage, delays, or destruction of baggage or other personal property carried as baggage, and damage to personal apparel; the cost of repacking and boxing damaged baggage; and the pay and expenses of employees or others while engaged as adjusters and witnesses in lawsuits in cases involving loss or damage to baggage. The net amount received from the sale of astray and damaged baggage shall be credited to this account.

DAMAGE TO PROPERTY.—Payments and expenses on account of damages to or destruction of property of others, whether by fire, collision, or other cause, with the exception of payments and expenses on account of damage to property intrusted to the carrier for transportation; and pay and expenses of em-

ployees and others while engaged as adjusters and as witnesses in lawsuits arising out of damage to property.

INJURIES TO PERSONS.—Compensation and expenses incident to injuries to persons occurring directly in connection with the transportation operations of water lines; a proportion of the pay and expenses of physicians and surgeons; of claim adjusters and clerks; expenses of nurses and hospital attendants; medical and surgical supplies; artificial limbs; funeral expenses; railway, boat, and carriage fares for conveying injured persons and attendants; donations or contributions to hospitals in which employees are cared for; pay and expenses of employees and others while attending coroners' inquests, while engaged as witnesses in lawsuits in connection with personal injury cases, or when called in consultation in relation to personal injury claims.

INSURANCE.—Premiums paid, except reinsurance premiums, for insuring the carrier against loss through injuries to persons, or damage to or destruction or loss of property, whether caused by fire, accident, or other cause, when such loss to the carrier would be chargeable to Transportation—Water Line; also premiums on fidelity bonds of employees whose pay is chargeable to that account. (See special instructions, section 18.)

NOTE A.—The premiums paid by the carrier to its insurance fund shall be credited to an insurance reserve account, to which account shall be charged the amount of all claims for injuries to persons and damages to the property covered by its insurance. To such account shall also be charged all reinsurance premiums paid to insurance companies, and to it shall be credited all amounts recovered from insurance companies for damage to property reinsured by them.

NOTE B.—Expenses not otherwise provided for in connection with the conduct of loss, damage, and personal injury suits shall be charged to account No. 454, "Law expenses," but the amount of final judgments, including plaintiff's court costs, shall be included in this account.

NOTE C.—The pay, office rent, and traveling, office, and other expenses of claim adjusters, claim clerks, and others engaged in claim matters when not directly assignable to a distinct class of claims, shall be apportioned equally among the several classes of claims over which they have jurisdiction or in connection with which they are engaged.

VI. MISCELLANEOUS OPERATIONS.

The primary accounts included in this general account are designed to show the expenses incurred in miscellaneous operations. (See general instructions, section 4.)

441. DINING AND BUFFET SERVICE.

This account shall include the cost of operating dining and buffet service on trains and transfer boats. It shall include:

SUPERINTENDENCE.—The pay of officers directly in charge of operating dining and buffet service; the pay of their assistants, clerks, and office attendants; also the office, traveling, and other expenses of such officers and their employees.

COMMISSARIAL EMPLOYEES.—The pay of storekeepers, assistant storekeepers, clerks, porters, and other employees in commissarial supply depots and storehouses.

STEWARDS.—The pay of stewards or conductors employed on dining and buffet cars and transfer boats.

COOKS AND WAITERS.—The pay of cooks, waiters, and assistants on dining and buffet cars and transfer boats.

FUEL AND SUPPLIES.—The cost of fuel for cooking purposes; of provisions, such as meats, groceries, vegetables, fish, table waters, ice, etc.; bar supplies, such as wines, liquors, beers, ales, etc.; cost of licenses; and cost of cigars, cigarettes, and tobacco.

LAUNDRY.—Expenses for laundry work, such as laundering tablecloths, napkins, aprons, etc.

STATIONERY AND PRINTING.—The cost of stationery and printing used in connection with dining and buffet service.

OTHER EXPENSES.—The cost of flowers and plants; cleaning the interior of cars; rent and cost of supplies for rooms furnished for dining and buffet service employees; and such other expenses in connection with the operation of dining and buffet service as are not provided for elsewhere.

NOTE.—When officers have immediate supervision over dining and buffet service and other operations their pay, office and other expenses, as also the pay, office and other expenses of their assistants, clerks, and office attendants, shall be equitably apportioned to the accounts appropriate to the operations over which they have supervision.

442. HOTELS AND RESTAURANTS.

This account shall include the cost of operating hotels, restaurants, and lunch counters when the cost of the operated property is includible in the road and equipment accounts. It shall include:

SUPERINTENDENCE.—The pay of officers directly in charge

of operating hotels, restaurants, and lunch counters; pay of their clerks and office attendants; also the office, traveling, and other expenses of such officers.

EMPLOYEES.—The pay of stewards, hotel keepers, storekeepers, checkers, linen clerks, butchers, chefs, cooks, kitchen help, maids, porters, elevator men, call boys, hat and cloak attendants, waiters, waitresses, laundresses, engineers, firemen, and other employees engaged in operating hotels, restaurants, and lunch counters.

FUEL AND SUPPLIES.—The cost of fuel for cooking and heating purposes; provisions, such as meats, groceries, vegetables, fish, table waters, ice, etc.; bar supplies, such as wines, liquors, beers, ales, etc.; the cost of liquor licenses; the cost of tobacco, cigars, cigarettes, etc.; and miscellaneous supplies for operating the service.

STATIONERY AND PRINTING.—The cost of stationery and printing used in connection with the operation of hotels and restaurants.

OTHER EXPENSES.—The cost of lighting, and other items of expense not otherwise provided for in this account.

NOTE.—When officers have immediate supervision over hotels, restaurants, and lunch counters and other operations their pay, office, and other expenses, as also the pay, office, and other expenses of their assistants, clerks, and office attendants, shall be equitably apportioned to the accounts appropriate to the operations over which they have supervision.

443. GRAIN ELEVATORS.

This account shall include the cost of operating grain elevators other than small elevators which are classed as station facilities. It shall include:

SUPERINTENDENCE.—The pay of officers directly in charge of grain-elevator service; the pay of their assistants, clerks, and office attendants; also the office, traveling, and other expenses of such officers and their employees.

EMPLOYEES.—The pay of engineers, firemen, foremen, machine men, oilers, millwrights, carpenters, trimmers, weighers, spout men, sweepers, laborers, watchmen, and all other employees engaged in operating grain elevators.

FUEL AND SUPPLIES.—The cost of fuel for power, heating, and lighting plants; power for heating, lighting, and operating machinery; and water, ice, oil, waste, and other supplies for operating such property.

STATIONERY AND PRINTING.—The cost of stationery and printing used in connection with the operation of grain elevators.

OTHER EXPENSES.—The cost of grain used to make up shortage in elevators; stationery and printing; rent for and repairs of rented offices; and other operating expenses not otherwise provided for in this account.

NOTE.—When officers have immediate supervision over grain elevators and other operations their pay, office, and other expenses, as also the pay, office, and other expenses of their assistants, clerks, and office attendants, shall be equitably apportioned to the accounts appropriate to the operations over which they have supervision.

444. STOCKYARDS.

This account shall include the cost of operating stockyards other than small stockyards or stock pens at stations, which are classed as station facilities. It shall include:

SUPERINTENDENCE.—The pay of officers directly in charge of stockyard operations; the pay of their assistants, clerks, and office attendants; also the office, traveling, and other expenses of such officers and employees.

EMPLOYEES.—The pay of foremen, subforemen, yardmen, tallymen, weighmasters, stock loaders, drovers, drivers, engineers, firemen, shovelers, watchmen, policemen, and other stockyard employees.

FUEL AND SUPPLIES.—The cost of fuel, gas, electric current, water; hay, grain, oats, and other feed for stock; straw and other bedding material; and other stockyard supplies.

STATIONERY AND PRINTING.—The cost of stationery and printing used in connection with the operation of stockyards.

OTHER EXPENSES.—Payments for loss or damage to live stock, and other expenses not otherwise provided for in this account.

NOTE.—When officers have immediate supervision over stockyard service and other operations their pay, office, and other expenses, as also the pay, office, and other expenses of their assistants, clerks, and office attendants, shall be equitably apportioned to the accounts appropriate to the operations over which they have supervision.

445. PRODUCING POWER SOLD.

This account shall include the cost of operating power plants, substations, transmission systems and distribution systems, for the production of power sold.

The proportion of the cost assignable to the production of the power sold only shall be included in this account. (See special instructions, sections 12, 13, and 14.)

This account shall include:

SUPERINTENDENCE.—The pay of officers directly in charge of power plants, substations, transmission systems and distribution systems; pay of their clerks and office attendants; also the office, traveling, and other expenses of such officers and employees.

EMPLOYEES.—The pay of foremen, subforemen, engineers, firemen, electricians, system operators or load dispatchers, dynamo tenders, foremen regulators, regulators and assistants, switchboard men, brush men, oilers, wipers, wiremen, and others engaged in the operation of power plant and substation apparatus and devices.

FUEL.—The cost of fuel used in the production of power and for heating power plants.

OTHER SUPPLIES.—The cost of water, lubricants, and other power plant and substation supplies.

STATIONERY AND PRINTING.—The cost of stationery and printing used in connection with producing power sold.

OTHER EXPENSES.—The items of expense not otherwise provided for in this account.

NOTE.—When officers have immediate supervision over producing power sold and other operations, their pay, office, and other expenses, as also the pay, office, and other expenses of their assistants, clerks, and office attendants, shall be equitably apportioned to the accounts appropriate to the operations over which they have supervision.

446. OTHER MISCELLANEOUS OPERATIONS.

This account shall include the operations of facilities such as cold-storage plants; coal-storage plants; cotton-compress plants; wood-preserving plants; ice-supply plants, etc., when the cost of the facilities is includible in the road and equipment accounts and they are operated for the benefit of the carrier and others.

The proportion assignable to the commercial operations only shall be included in this account.

NOTE.—When officers have immediate supervision over other miscellaneous service and other operations, their pay, office, and other expenses, as also the pay, office, and other expenses of their assistants, clerks, and office attendants, shall be equitably apportioned to the accounts appropriate to the operations over which they have supervision.

VII. GENERAL.

The primary accounts included in this general account are designed to show the expenses incurred of a general character not chargeable to the preceding general accounts, such as those for general administration and accounting, and those of the financial, law, real estate, tax, and claim departments.

The accounts for general expenses shall be kept in such manner as to show separately, by primary accounts, the expenses directly assignable to water-line operations.

NOTE.—Directly assignable organization and administration expenses incident to investments in leased or nonoperating physical property, and in stocks, bonds, and other securities, are chargeable to income account No. 549, "Maintenance of investment organization."

451. SALARIES AND EXPENSES OF GENERAL OFFICERS.

This account shall include:

SALARIES.—The pay of all general officers not otherwise provided for, including salaries and fees of receivers and commissions paid to general officers in lieu of salaries.

LIST OF OFFICERS

(See special instructions, section 22)

Chairman of the board.
President.
Assistant to president.
Vice president.
Assistant to vice president.
Secretary.
Assistant secretary.
Transfer agent.
Treasurer.
Assistant treasurer.
Local treasurer.
Comptroller.
Assistant comptroller.
General auditor.
Auditor.
Assistant auditor.
Auditor of revenues.
Auditor of passenger accounts.
Assistant auditor of passenger accounts.
Auditor of freight accounts.
Assistant auditor of freight accounts.
Auditor of station accounts.
Auditor of disbursements.
Assistant auditor of disbursements.

Auditor of miscellaneous accounts.
Assistant auditor of miscellaneous accounts.
Auditor of coal and coke accounts.
Freight claim agent.
Assistant freight claim agent.
General accountant.
Real-estate agent.
Assistant real-estate agent.
Tax commissioner.

EXPENSES.—The traveling and other expenses of officers whose pay is included in this account, including supplies for business cars used by them, cost of running official trains for them, and cost of membership fees and dues in railway and other associations.

NOTE A.—When officers' duties are restricted to a single department, their salaries and expenses shall be charged to that department in the accounts for superintendence or for law expenses, as may be appropriate. When officers have immediate supervision over more than one operating department, their salaries and expenses shall be apportioned equally among the departments over which they have jurisdiction.

NOTE B.—The pay and expenses of the purchasing agent, assistant purchasing agent, assistant to purchasing agent, general storekeeper, division storekeeper, their clerks and attendants, shall be charged through clearing accounts "Material store expenses" and "Stationery store expenses," or material account "Fuel," as may be appropriate.

452. SALARIES AND EXPENSES OF CLERKS AND ATTENDANTS.

This account shall include the pay and expenses of clerks and attendants of the officers whose salaries are includible in account No. 451, "Salaries and expenses of general officers."

PAY OF CLERKS.—The pay of persons employed in accounting and clerical service.

LIST OF EMPLOYEES

(See special instructions, section 22)

Cashiers.
Chief accountants.
Chief clerks.
Clerks.
Inspectors.
Mail clerks.
Paymasters.
Postmasters.
Route agents.
Special agents.
Stenographers.
Ticket receivers.
Traveling accountants.
Traveling auditors.

PAY OF ATTENDANTS.—The pay of persons employed in attendance at general offices and on business cars.

LIST OF EMPLOYEES

(See special instructions, section 22)

Bank messengers.
Chauffeurs.
Cleaners.
Cooks.
Drivers of service wagons.
Elevator operators.
Engineers.
Firemen.
Janitors.
Messengers.
Porters.
Pump men.
Stablemen.
Superintendent of general office building.
Telegraph operators.
Telephone operators.
Ushers.
Waiters.
Watchmen.

EXPENSES.—The traveling and other expenses of employees designated above, including the cost of supplies for business cars and cost of running official trains for them.

453. GENERAL OFFICE SUPPLIES AND EXPENSES.

This account shall include the office expenses of officers designated in account No. 451, "Salaries and expenses of general officers."

ITEMS OF EXPENSE AND SUPPLIES

(See special instructions, section 22)

Alterations of partitions and fixtures in general offices.
Atlases and maps.
Books for office use.
Cable tolls.
Cleaning.
Express charges.
Furniture repairs and renewals.
Heating.
Horse keep.
Lighting.
Local messenger service.
Periodicals and newspapers.
Rent of general offices.
Rent of tabulating machines.
Repairs of rented general offices.
Reports of commercial standings.
Service of automobiles.
Telegraph service.
Telephone service.
Watchmen service.

NOTE.—The proportion of general office expenses occasioned by the law department shall be included in account No. 454, "Law expenses."

454. LAW EXPENSES.

This account shall include the pay and the office and other expenses, when not provided for elsewhere, of officers and employees of the law department, the cost of suits, and the payments of special law fees.

LIST OF OFFICERS AND EMPLOYEES

(See special instructions, section 22)

General counsel.
General solicitor.
Assistant counsel.
Solicitor.
Commerce counsel.
Commerce agent.
Special counsel.
Statutory attorney.
Attorney.
Counsel.
Law agent.
Clerks.
Office attendants.

ITEMS OF EXPENSE AND SUPPLIES

(See special instructions, section 22)

Arbitrators' services in settlement of disputed questions.
Cost of taking depositions.
Cost of testimony.
Cost of suits.
Court bonds.
Court expenses.
Drawing and recording agreements as to trackage rights, etc.
Express charges.
Fees and retainers of attorneys (not regular employees).
Law books.
Legal forms.
Legal reports.
Membership fees and dues in associations to protect carriers against litigation in respect to patents.
Membership fees and dues in law associations.
Notarial fees not provided for elsewhere.
Office expenses.
Printing of briefs, testimony, and reports.
Proportion of general office expenses.
Rent of offices.
Special fees.
Telegraph service.
Telephone service.
Traveling expenses.
Witness fees not provided for elsewhere.

455. INSURANCE.

This account shall include premiums, except reinsurance premiums, for insuring the carrier against loss, through injuries to persons or damage to or destruction or loss of property, whether caused by fire, accident, or other cause, when such loss to the carrier would be chargeable to general account VII, General; also premiums on fidelity bonds of officers and employees whose pay is chargeable to general account VII, General. (See special instructions, section 18.)

NOTE.—The premiums paid by the carrier to its insurance fund shall be credited to an insurance account, to which account shall be charged the amount of all claims for injuries to persons and damages to the property covered by its insurance. To such account shall also be charged all reinsurance premiums paid to insurance companies, and to it shall be credited all amounts recovered from insurance companies for damage to the property reinsured by them.

456. RELIEF DEPARTMENT EXPENSES.

This account shall include salaries and expenses incurred in connection with conducting relief departments; also contributions to such departments.

457. PENSIONS.

This account shall include pensions or gratuities paid out of the carrier's funds to retired employees or their heirs and the expenses solely in connection therewith.

458. STATIONERY AND PRINTING.

This account shall include the cost of stationery and printing used in general offices and not chargeable to other accounts, including the cost of printing annual reports, contracts, leases, stock certificates, and passes.

STATIONERY AND PRINTING ITEMS

(See special instructions, section 22)

Adding machines.
Addressographs and supplies.
Arm rests.
Binders.
Blank books.
Blotters.
Blotting paper.
Bristol board.
Calculating machines.
Calendars.
Carbon paper.
Cardboard.
Cards, blank and printed.
Circulars.
Computing tables.
Copy (impression) books.
Copying brushes.
Copying presses.
Crayons.
Cyclostyles.
Dating stamps and ribbons.
Dictaphones.
Dictographs.
Drawing paper.
Duplicators.
Electric pens.
Envelopes.
Erasers, rubber and steel.
Eyelet punches.
Eyelets.
File boxes, paper.
Forms, blank and printed.
Glass pens.
Hectographs.
Indexes.
Ink for writing and drawing.
Inkstands.
Invoice books.
Legal cap paper.
Letter paper.
Manifold paper.
Manifold pens.
Mimeographs.
Mucilage.
Mucilage brushes.
Neostyles.
Note paper.
Notices.
Numbering stamps.
Oil paper.
Paper.
Paper baskets.
Paper clips.
Paper cutters.
Paper fasteners.
Paper files.
Paper weights.
Papyrographs.
Parchment paper.
Passes.

Pay checks.
Pencil sharpeners.
Pencils for writing and drawing.
Penholders.
Penracks.
Pens for writing and drawing.
Phonographs and records.
Pins.
Postage.
Punches (not conductors' or baggagemen's).
Rubber bands.
Rubber stamps.
Rulers.
Ruling pens.
Scrapbooks.
Sealing wax.
Seals.
Shears.
Shipping tags.
Shorthand notebooks.
Sponge cups.
Sponges.
Stamps.
Stamps, impression.
Stylographs.
Tablets, blank and printed.
Tape.
Telegraph blanks.
Tissue (impression) paper.
Tracing cloth.
Tracing paper.
Twine.
Typewriters and ribbons.
Wage tables.
Wastebaskets.
Water colors.
Water holders.
Wrapping paper.
Wringers for copying presses.

NOTE A.—The cost of printing briefs, legal forms, testimony, reports, etc., for the law department is chargeable to account No. 454, "Law expenses."

NOTE B.—The cost of printing bonds, etc., in connection with the carriers' funded debt shall be included in balance-sheet account No. 725, "Discount on funded debt."

459. VALUATION EXPENSES.

This account shall include expenses incident to the ascertainment (in accordance with the Act to Regulate Commerce as amended March 1, 1913, or with other Federal or State requirements) of the value of property owned or used by the carrier, such expenses including pay, and office, traveling, and other expenses of officers specially employed or assigned to such work, and of their assistants, clerks, and attendants, and the cost of stationery and printing, and of engineering supplies consumed.

NOTE.—No charge shall be made to this account for the salaries of officers or of their clerks and attendants for incidental services in connection with valuation work; but special office, clerical, traveling, and incidental expenses incurred by these officers on account of such work shall be included as a part of the cost of the work.

460. OTHER EXPENSES.

This account shall include incidental general expenses which are not properly chargeable to any of the foregoing accounts.

ITEMS OF EXPENSE

(See special instructions, section 22)

Cost of draping buildings.
Cost of publishing annual reports in newspapers, and other corporate and financial notices of general character.
Cost of publishing notices of stockholders' meetings and of election of directors.
Donations on account of catastrophes, epidemics, etc.
Donations to local fire departments.
Donations to Y. M. C. A., and similar institutions.
Exchange on checks cashed or deposited.
Exchange on drafts bought.
Fees and expenses paid to directors and trustees.
Loss through payment of wages to a wrong person.
Penalties assessed for nonpayment of claims for overcharges.

461. GENERAL JOINT FACILITIES—DR.

This account shall include the carrier's proportions of general expenses incurred by others incident to maintaining and operating tracks, yards, terminals, and other facilities used jointly.

NOTE.—The purpose of this account is to show the amount accruing against the carrier for its proportion of the expense of general administration of tracks, yards, terminals, and other facilities administered by others, and in the joint use of which the carrier participates. (See special instructions, section 9.)

462. GENERAL JOINT FACILITIES—CR.

This account shall include amounts chargeable to others as their proportions of general expenses incurred by the carrier incident to maintaining and operating tracks, yards, terminals, and other facilities used jointly.

NOTE.—The purpose of this account is to show the amounts accruing in favor of the carrier and against others for their proportions of the expense of general administration of tracks, yards, terminals, and other facilities administered by the carrier, and in the joint use of which others participate. (See special instructions, section 9.)

VIII. TRANSPORTATION FOR INVESTMENT—CR.

This account shall include fair allowances representing the expense to the carrier of transporting, on transportation trains, men engaged in and material for construction.

Amounts credited to this account shall be concurrently charged to the appropriate property investment accounts.

APPENDIX C

CLASSIFICATION OF INCOME, PROFIT AND LOSS, AND GENERAL BALANCE SHEET ACCOUNTS PRESCRIBED BY THE INTERSTATE COMMERCE COMMISSION. ISSUE OF 1914

GENERAL INSTRUCTIONS

The carrier's records shall be kept with sufficient particularity to show fully the facts pertaining to all entries made in the accounts provided herein for Income, Profit and Loss, and General Balance Sheet. Where the full information is not recorded in the general books, the entries therein shall be supported by other records in which the full details shall be shown. Such general book entries shall contain sufficient reference to the detail records to permit ready identification, and the detail records shall be filed in such manner as to be readily accessible for examination by representatives of the Interstate Commerce Commission.

1. When the title and definition of an income, profit and loss, or general balance-sheet account clearly indicate that it is a summary of other accounts, it is not required that a special ledger account shall be kept under such a title to include the balances from the accounts usually kept in the ledger, but in such case the titles of the subaccounts in the ledger shall give references by numbers, titles, or both, to the income, profit and loss, or general balance-sheet account prescribed herein of which they are subdivisions.

2. When the compensation for the use of equipment held under lease includes both rent and maintenance (repairs and depreciation), the lessor shall determine the proportion of gross rent applicable respectively to rent, repairs, and depreciation. The lessor shall credit the portion covering rent to the appropriate rent account in Income, the portion covering repairs to the account originally charged or chargeable with the cost of the repairs, and the portion covering depreciation to the accrued depreciation account for equipment. The lessee shall correspondingly charge the portion covering rent to the appropriate rent account in Income, the portion covering repairs to the appropriate equipment repair account, and the portion covering depreciation to the appropriate equipment depreciation account in Operating Expenses.

When the compensation for the use of equipment held under lease covers only rent and depreciation (the lessee being responsible for the current repairs) the lessor shall determine the proportion of the gross rent applicable to rent and that applicable to depreciation. The lessor shall credit the portion covering rent to the appropriate rent account in Income, and the portion covering depreciation to the accrued depreciation account for equipment. The lessee shall charge the portion covering rent to the appropriate rent account in Income, and the portion covering depreciation to the appropriate depreciation account in Operating Expenses.

When the lease provides that the lessee shall be responsible for the maintenance of the leased equipment, the lessee shall charge the estimated current depreciation to the appropriate depreciation account in Operating Expenses, and concurrently credit the amounts thus charged to balance-sheet account No. 778, "Other unadjusted credits." To this latter account shall be charged, to the extent of the credits therein with respect to the equipment, the cost of restoring the depreciation upon the equipment, or the payments made to the lessor for the purpose of compensating for the loss through depreciation at the time the equipment is surrendered.

When the accounting in connection with equipment held under lease requires, under this rule, an apportionment of the com-

pensation as between rent and maintenance, the lessor shall show the distribution of the charges upon its bills, and such distribution shall be adhered to by the lessee.

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SPECIAL INSTRUCTIONS

1. Income Accounts Defined.—Income accounts are those designed to show, as nearly as practicable, for each fiscal period, the total amount of money that a carrier becomes entitled to receive for services rendered, the returns accrued upon investments, the accrued costs paid or payable for the services rendered by it, the losses sustained by it, the amounts accrued for taxes, for use of moneys and for use of properties of others, and the appropriations made from income during the period. The

net balance of income (or loss) shall be carried to Profit and Loss.

2. Delayed Items.—When no provisions have been made through entries in the accounts of this classification for anticipating delayed items chargeable or creditable to Income, and the amount of any such item is relatively so large that its inclusion in the accounts for a single year would seriously distort those accounts, the carrier, if so authorized upon application to the Interstate Commerce Commission, shall distribute to Profit and Loss so much of the amount as may be authorized. The carrier, in its application to the Commission, shall file the full particulars concerning each item and the reasons which in its judgment indicate the propriety of such accounting.

Delayed items are items representing transactions which occurred before the current year.

3. Uncollectible Revenue.—An account is provided for revenue charges against individuals and companies which during the period for which the Income Account is stated have been determined to be uncollectible. This account is provided for the purpose of eliminating from the ledger assets of the carrier, or of writing down to nominal amounts in its asset accounts, items of revenue charges which can not be collected, such as freight charges for which credit has been allowed, or undercharges discovered after the freight has been delivered.

TEXT PERTAINING TO THE INCOME ACCOUNTS

I. CREDITS.

501. RAILWAY OPERATING REVENUES.

This account shall include the total revenues derived from operations as shown in the accounts provided in the classification of operating revenues.

502. REVENUES FROM MISCELLANEOUS OPERATIONS.

This account shall include the total revenues derived from the operation of miscellaneous operating physical property, such as

that the cost of which is includible in balance-sheet account No. 705, "Miscellaneous physical property."

NOTE.—The income from miscellaneous nonoperating physical property shall be included in account No. 511, "Miscellaneous nonoperating physical property."

503. HIRE OF FREIGHT CARS—CREDIT BALANCE.

This account shall include the net credit balance of (1) amounts receivable accrued for the use of the accounting company's freight cars leased or interchanged, and (2) amounts payable accrued for the use of the freight cars of other carriers, leased or interchanged, and for the use of freight cars of individuals and companies not carriers.

NOTE A.—If the net balance is a debit, it shall be included in account No. 536, "Hire of freight cars—Debit balance."

NOTE B.—Rent for freight cars included in the lease of road to another company shall be included in account No. 509, "Income from lease of road."

NOTE C.—Rents paid for freight cars used in construction work-train service are chargeable to the cost of the work. (See general instructions for the classification of investment in road and equipment, section 4 *c*.)

NOTE D.—A fair rent for freight cars used in construction work-train service shall be credited to the account "Hire of freight cars." (See general instructions for the classification of investment in road and equipment, section 4*c*.)

504. RENT FROM LOCOMOTIVES.

This account shall include amounts receivable accrued as rent for the use of the accounting company's locomotives leased or interchanged.

NOTE A.—Rent for locomotives included in lease of road to another company shall be included in account No. 509, "Income from lease of road."

NOTE B.—A fair rent for locomotives used in construction work-train service shall be credited to this account. (See general instructions for the classification of investment in road and equipment, section 4 *c*.)

505. RENT FROM PASSENGER-TRAIN CARS.

This account shall include amounts receivable accrued as rent for the use of the accounting company's passenger-train cars leased or interchanged.

NOTE.—Rent for passenger-train cars included in lease of road to another company shall be included in account No. 509, "Income from lease of road."

506. RENT FROM FLOATING EQUIPMENT.

This account shall include amounts receivable accrued as rent for the use of the accounting company's floating equipment leased or chartered.

NOTE.—Rent from floating equipment included in lease of road to another company shall be included in account No. 509, "Income from lease of road."

507. RENT FROM WORK EQUIPMENT.

This account shall include amounts receivable accrued as rent for the use of the accounting company's work equipment leased or interchanged.

NOTE A.—Rent for work equipment included in lease of road to another company shall be included in account No. 509, "Income from lease of road."

NOTE B.—A fair rent for work equipment used in construction work-train service shall be credited to this account. (See general instructions for the classification of investment in road and equipment, section 4 c.)

508. JOINT FACILITY RENT INCOME.

This account shall include amounts receivable accrued for rent of tracks, yards, terminals, and other facilities owned or controlled by the accounting company and used jointly with other companies or individuals.

Amounts receivable from other companies in reimbursement for taxes on property jointly used shall be credited to this account.

NOTE.—The portion of the cost of maintenance, operation, or administration of joint facilities recoverable from others shall be credited to the various joint facility accounts provided for operating expenses. When the compensation for the use of joint facilities is a fixed amount or is based upon a charge per passenger, ton, car, or other unit, it shall be fairly apportioned by the creditor between this account and the appropriate joint facility operating expense accounts.

509. INCOME FROM LEASE OF ROAD.

This account shall include the entire amount receivable accrued for the exclusive use of road, tracks, or bridges (including equipment or other railway property covered by the contract) owned or controlled by the accounting company, whether pay-

able to the accounting company in cash or disbursed by the lessee on behalf of the accounting company as interest on funded debt, guaranteed dividends on stock, or otherwise.

When the lessor company maintains the road and equipment leased, the cost of maintaining the property rented shall be charged to this account, except that when the rent thus receivable for the use of property other than equipment is relatively small and the expense of maintenance is not separable, the entire amount received may be credited to revenue account No. 142, "Rents of buildings and other property."

If, under the terms of a lease, the deficit, or any portion of it, resulting from the lessee company's operations of the property leased is payable by the lessor company, the amount thus payable shall be charged to this account by the lessor.

NOTE A.—When taxes on leased property are assumed by the lessor, the accruals of such taxes shall be included in the lessor's account No. 532, "Railway tax accruals."

NOTE B.—If property the rent of which is chargeable to account No. 542, "Rent for leased roads," is sublet by the accounting company, the rent receivable therefor shall be credited to this account.

510. MISCELLANEOUS RENT INCOME.

This account shall include such rents of property owned and controlled by the accounting carrier as are not provided for in the foregoing accounts.

To this account shall be charged the cost of maintenance of the property rented, also specific incidental expenses in connection with such property, such as the cost of negotiating contracts, advertising for tenants, fees paid conveyancers, collectors' commissions, and analogous items.

NOTE A.—If property the rent of which is chargeable to account No. 543, "Miscellaneous rents," is sublet by the accounting company, the rent receivable therefor shall be credited to this account.

NOTE B.—Taxes on property the rent of which is creditable to this account shall be charged to account No. 532, "Railway tax accruals."

NOTE C.—The rent from property carried in balance-sheet account No. 705, "Miscellaneous physical property," shall not be included in this account, but in account No. 511, "Miscellaneous nonoperating physical property."

NOTE D.—Rent and other income from real estate acquired for new lines or for additions and betterments shall be credited to the appropriate road and equipment accounts until the completion or coming into service of the property.

511. MISCELLANEOUS NONOPERATING PHYSICAL PROPERTY.

This account shall include the net credit balance of the nonoperating revenues or income from, and the expenses (including depreciation, but excluding taxes) of, physical property the cost of which is carried in balance-sheet account No. 705, "Miscellaneous physical property."

NOTE A.—Net debit balances in this account shall be shown in red ink.

NOTE B.—The revenues from the operation of miscellaneous operating physical property shall be included in income account No. 502, "Revenues from miscellaneous operations," and the expenses of operations shall be included in account No. 534, "Expenses of miscellaneous operations."

512. SEPARATELY OPERATED PROPERTIES—PROFIT.

This account shall include amounts receivable under the terms of agreements or contracts whereby the surplus resulting from the operation by others of properties of other companies having a separate corporate existence is to be paid, in whole or in part, to the accounting company.

In determining the amount receivable by the accounting company, consideration shall be given not only to the operating revenues and operating expenses but also to other items of income or deduction which affect that amount.

NOTE A.—The amount payable by the operating company shall be charged by it to account No. 550, "Income transferred to other companies."

NOTE B.—Dividends or other returns upon securities issued by separately operated companies, and held or controlled by the accounting company, shall be included in account No. 513, "Dividend income"; No. 514, "Income from funded securities"; No. 515, "Income from unfunded securities and accounts"; or No. 516, "Income from sinking and other reserve funds," as may be appropriate.

513. DIVIDEND INCOME.

This account shall include dividends declared on railway and other stocks, the income from which is the property of the accounting company, whether such stocks are owned by the accounting company and held in its treasury or deposited in trust, or are controlled through lease or otherwise.

Dividends declared shall not be credited prior to actual collec-

tion unless their payment is reasonably assured by past experience, guaranty, anticipated provision, or otherwise.

Accruals of guaranteed dividends may be included in this account if their payment is reasonably assured.

NOTE A.—This account shall not include credits for dividends on stocks issued or assumed by the accounting company and owned by it, whether pledged as collateral or held in its treasury, in special deposits, or in sinking or other reserve funds.

NOTE B.—Dividends on stocks of other companies held in sinking or other reserve funds shall be credited to account No. 516, "Income from sinking and other reserve funds."

514. INCOME FROM FUNDED SECURITIES.

This account shall include interest on bonds and other funded securities and on debenture stock of other companies, the income from which is the property of the accounting company, whether such securities are owned by the accounting company and held in its treasury or deposited in trust, or are controlled through lease or otherwise. Interest accrued shall not be credited prior to actual collection unless its payment is reasonably assured by past experience, guaranty, anticipated provision, or otherwise.

At the option of the accounting company there may be included each year in this account the portion, applicable to the fiscal period, of the amount requisite to extinguish, during the interval between the date of acquisition and the date of maturity, the discount or premium on funded securities of other companies owned. Amounts thus credited or charged shall be concurrently charged or credited to the account in which the cost of the securities is carried.

NOTE A.—The term *funded securities* as here used means all unmatured bonds, notes, and other evidences of indebtedness (except open accounts for advances) none of which by the terms of the creation of the debt matures until more than one year after the date of such creation, provided that in case of an obligation maturing serially, such as car-trust notes, the entire amount shall be included in funded securities if any portion of the obligation matures later than one year after date of issue.

NOTE B.—This account shall not include interest on funded securities issued or assumed by the accounting company and owned by it, whether pledged as collateral or held in its treasury, in special deposits, or in sinking or other reserve funds.

NOTE C.—Interest on funded securities of other companies held in sinking or other reserve funds shall be included in account No. 516, "Income from sinking and other reserve funds."

NOTE D.—Interest accruing after maturity on any securities not in sinking or other reserve funds shall be included in account No. 515, "Income from unfunded securities and accounts."

515. INCOME FROM UNFUNDED SECURITIES AND ACCOUNTS.

This account shall include interest on unfunded securities, notes, and other evidences of indebtedness payable on demand or having dates of maturity one year or less from the date of issue, interest on matured funded securities of other companies, interest on bank balances and on open accounts, and other analogous items, including discount on short-term notes. The discount on short-term notes shall be distributed, through equal monthly credits, over the term of the notes.

NOTE A.—Interest on assets held in sinking and other reserve funds shall be included in account No. 516, "Income from sinking and other reserve funds."

NOTE B.—Discount on bills for material purchased shall be credited to the accounts to which is charged the cost of the material with respect to which the discount is allowed.

516. INCOME FROM SINKING AND OTHER RESERVE FUNDS.

This account shall include the income accrued on cash, securities, and other assets (not including securities issued or assumed by the accounting company) held in sinking and other reserve funds.

At the option of the accounting company there may be included each year in this account the portion, applicable to the fiscal period, of the amount requisite to extinguish, during the interval between the date of acquisition and the date of maturity, the discount or premium on funded securities held in sinking or other reserve funds. Amounts thus credited or charged shall be concurrently charged or credited to the account in which the cost of the securities is carried.

NOTE.—Credits to fund reserve accounts representing income on reserve funds shall be concurrently charged to account No. 552, "Income applied to sinking and other reserve funds."

517. RELEASE OF PREMIUMS ON FUNDED DEBT.

This account shall include, during each fiscal period, such proportion of the premiums on outstanding funded debt as may

be applicable to the period. This proportion shall be determined in accordance with special instructions for balance-sheet accounts, section 3.

518. CONTRIBUTIONS FROM OTHER COMPANIES.

This account shall include amounts received or receivable from other companies or individuals, representing the whole or a part of the net deficit of the accounting company when, under the terms of agreements or contracts, no obligation for subsequent reimbursement is incurred.

In determining the amount receivable by the accounting company, consideration shall be given not only to the operating revenues and operating expenses, but also to other items of income or deduction which affect that amount.

NOTE.—The amount payable shall be charged by the contributing company to account No. 545, "Separately operated properties—Loss."

519. MISCELLANEOUS INCOME.

This account shall include all items, not provided for elsewhere, properly creditable to Income Account during the fiscal period.

II. DEBITS.

531. RAILWAY OPERATING EXPENSES.

This account shall include the total expenses caused by operations, as shown in the accounts provided in the classification of operating expenses.

532. RAILWAY TAX ACCRUALS.

This account shall include accruals for taxes of all kinds (including Federal income tax) relating to railway property (including floating equipment, if any), operations, and privileges, whether based upon the valuation of the property, amount of stocks and bonds issued or outstanding, gross or net earnings, dividends declared, number of passengers carried, quantity of freight transported, length of line operated or owned, rolling stock operated or owned, or other basis.

The taxes on leased property shall be included in this account

by the carrier obligated to assume such expenses under the terms of the lease.

NOTE A.—Taxes on leased property paid by one party to the lease and chargeable to the other party to the lease shall be charged directly to the party bearing the expense and not included in the Income Account of the party first making payment.

NOTE B.—Taxes on other than railway property, operations, and privileges, shall be charged to account No. 544, "Miscellaneous tax accruals," when the amount is separable from the taxes chargeable to this account.

NOTE C.—Special assessments for street and other improvements, and special benefit taxes, such as water taxes and the like, shall be included in operating expense accounts or investment accounts, as may be appropriate.

NOTE D.—Amounts received in reimbursement of taxes on property jointly used shall be credited to account No. 508, "Joint facility rent income." Amounts paid in reimbursement of such taxes shall be charged to account No. 541, "Joint facility rents."

NOTE E.—Taxes accruing on new lines under construction or on property acquired for the extension of existing lines or for addition or betterment purposes before the facilities are opened for commercial operation or the property acquired becomes available for service shall be charged to road and equipment accounts.

533. UNCOLLECTIBLE RAILWAY REVENUES.

This account shall include the amount of uncollected revenue charges against companies and individuals representing tariff charges for service rendered (including not only the accounting carrier's revenue charges, but also charges advanced to other carriers) when such amounts have been, during the period for which the Income Account is stated, determined to be uncollectible. (See special instructions for the classification of operating revenues, section 1.)

NOTE A.—This account shall not be construed to relieve the carrier from its responsibility for collecting the lawfully established charges.

NOTE B.—This account shall not include charges for service if it has not been performed in accordance with the contract and which, on that account, are not lawfully collectible from companies or individuals, such as freight charges on lost or destroyed shipments.

534. EXPENSES OF MISCELLANEOUS OPERATIONS.

This account shall include the total expenses caused by the operation of miscellaneous physical property the cost of which is includible in balance-sheet account No. 705, "Miscellaneous physical property."

NOTE.—The expenses of miscellaneous nonoperating physical property shall be included in account No. 511, "Miscellaneous nonoperating physical property."

535. TAXES ON MISCELLANEOUS OPERATING PROPERTY.

This account shall include accruals of taxes paid or payable upon miscellaneous operating property, such as that the cost of which is includible in account No. 705, "Miscellaneous physical property."

NOTE.—Taxes upon miscellaneous nonoperating physical property shall be included in account No. 544, "Miscellaneous tax accruals."

536. HIRE OF FREIGHT CARS—DEBIT BALANCE.

This account shall include, except as provided for in the classification for investment in road and equipment, the net debit balance of (1) amounts receivable accrued for the use of the accounting company's freight cars leased or interchanged, and (2) amounts payable accrued for the use of the freight cars of other carriers, leased or interchanged, and for the use of freight cars of individuals and companies not carriers. (See general instructions, section 2.)

NOTE A.—If the net balance is a credit, it shall be included in account No. 503, "Hire of freight cars—Credit balance."

NOTE B.—Rent for freight cars included in the lease of road to the accounting company shall be included in account No. 542, "Rent for leased roads."

NOTE C.—Interest accrued on equipment obligations shall be charged to account No. 546, "Interest on funded debt," or No. 547, "Interest on unfunded debt," as may be appropriate.

NOTE D.—Rents paid for freight cars used in construction work-train service are chargeable to the cost of the work. (See general instructions for the classification of investment in road and equipment, section 4 *c*.)

NOTE E.—A fair rent for freight cars used in construction work-train service shall be credited to account "Hire of freight cars." (See general instructions for the classification of investment in road and equipment, section 4 c.)

537. RENT FOR LOCOMOTIVES.

This account shall include amounts payable accrued for the use of the locomotives of others, leased or interchanged, except as provided for in the classification for investment in road and equipment. (See general instructions, section 2.)

NOTE A.—The rent for locomotives included in the lease of road to the accounting company shall be included in account No. 542, "Rent for leased roads."

NOTE B.—Interest accrued on equipment obligations shall be charged to account No. 546, "Interest on funded debt," or No. 547, "Interest on unfunded debt," as may be appropriate.

NOTE C.—Rent paid for locomotives used in construction work-train service is chargeable to the cost of the work. (See general instructions for the classification of investment in road and equipment, section 4 *c*.)

538. RENT FOR PASSENGER-TRAIN CARS.

This account shall include amounts payable accrued for the use of the passenger-train cars of others, leased or interchanged, and also for use of sleeping cars operated under contract arrangement, except as provided for in the classification for investment in road and equipment. (See general instructions, section 2.)

NOTE A.—The rent for passenger-train cars included in the lease of road to the accounting company shall be included in account No. 542, "Rent for leased roads."

NOTE B.—Interest accrued on equipment obligations shall be charged to account No. 546, "Interest on funded debt," or No. 547, "Interest on unfunded debt," as may be appropriate.

539. RENT FOR FLOATING EQUIPMENT.

This account shall include amounts payable accrued for the use of the floating equipment of others, leased or chartered, except as provided for in the classification for investment in road and equipment. (See general instructions, section 2.)

NOTE A.—The rent of floating equipment included in the lease of road to the accounting company shall be included in account No. 542, "Rent for leased roads."

NOTE B.—Interest accrued on equipment obligations shall be charged to account No. 546, "Interest on funded debt," or No. 547, "Interest on unfunded debt," as may be appropriate.

540. RENT FOR WORK EQUIPMENT.

This account shall include amounts payable accrued for the use of the work equipment of others, leased or interchanged, except as provided for in the classification for investment in road and equipment. (See general instructions, section 2.)

NOTE A.—The rent for work equipment included in the lease of road to the accounting company shall be included in account No. 542, "Rent for leased roads."

NOTE B.—Interest accrued on equipment obligations shall be charged

to account No. 546, "Interest on funded debt," or No. 547, "Interest on unfunded debt," as may be appropriate.

NOTE C.—Rent paid for work equipment when used in construction work-train service is chargeable to the cost of the work. (See general instructions for the classification of investment in road and equipment, section 4 *c*.)

541. JOINT FACILITY RENTS.

This account shall include amounts payable accrued as rent for tracks, yards, terminals, and other facilities owned or controlled by other carriers, companies, or individuals, and in the joint use of which the accounting company participates.

Amounts paid or payable by the accounting company in reimbursement for taxes on property jointly used shall be charged to this account.

NOTE.—The cost of maintenance, operation, or administration of joint facilities, chargeable to the accounting company, shall be charged to the various joint facility accounts provided for operating expenses. When the compensation for the use of joint facilities is a fixed amount or is based upon a charge per passenger, ton, car, or other unit, it shall be fairly apportioned between this account and the appropriate joint facility operating expense accounts. This apportionment shall be made by the operating company, and shall be followed by the accounting company.

542. RENT FOR LEASED ROADS.

This account shall include amounts payable accrued as rent for roads, tracks, or bridges (including equipment and other railway property covered by the contract) of other companies, held under lease or other agreement by the terms of which exclusive use and control for operating purposes are secured. The entire amount of rent payable by the lessee in accordance with the agreement shall be included in this account, whether paid to the lessor in cash or disbursed by the lessee, on behalf of the lessor, as interest on funded debt, guaranteed dividends on stock, or otherwise. (See general instructions, section 2.)

NOTE A.—When taxes on leased property are assumed by the lessee the accruals of such taxes shall be included in the lessee's account No. 532, "Railway tax accruals."

NOTE B.—If, under the terms of a lease, the deficit or any portion of it resulting from the lessee's operation of the property leased is payable by the lessor company, the amount shall be charged to account No. 509, "Income from lease of road," by the lessor and credited to this account by the lessee.

NOTE C.—If property, the rent of which is chargeable to this account, is sublet by the accounting company to others, the rent from the sublease shall be credited to account No. 509, "Income from lease of road."

NOTE D.—Payments for the exclusive use of road and equipment maintained by the lessor and used in the accounting company's operations (when considerable in amount and when not provided for in the classifications of operating expenses) shall be divided into two portions: One, representing cost of maintenance, shall be charged to the appropriate maintenance accounts and the other, representing rent (amount applicable to the investment in the property), shall be charged to this account.

543. MISCELLANEOUS RENTS.

This account shall include rents payable accrued on property held by the accounting company under lease or other agreement and not properly chargeable to any of the foregoing accounts.

NOTE A.—This account shall not include rents provided for in the operating expense accounts.

NOTE B.—If property, the rent of which is chargeable to this account, is sublet by the accounting company to others, the rent from the sublease shall be credited to account No. 510, "Miscellaneous rent income."

NOTE C.—Payments for the exclusive use of miscellaneous property maintained by the lessor and used by the accounting company shall be divided into two portions: One, representing the cost of maintenance, shall be charged to the appropriate operating accounts, and the other, representing rent (amount applicable to the investment in the property), shall be charged to this account. The bill rendered by the creditor shall show the distribution of the payments as between maintenance and rent, and such distribution shall be adhered to by the debtor.

544. MISCELLANEOUS TAX ACCRUALS.

This account shall include all accruals for taxes not provided for elsewhere, such as taxes on securities owned, taxes on income from securities owned, and taxes on miscellaneous nonoperating physical property the cost of which is includible in balance-sheet account No. 705, "Miscellaneous physical property."

NOTE A.—When the proper separation of any particular tax is not ascertainable the entire amount shall be included in account No. 532, "Railway tax accruals."

NOTE B.—Taxes upon miscellaneous operating property shall be charged to account No. 535, "Taxes on miscellaneous operating property."

545. SEPARATELY OPERATED PROPERTIES—LOSS.

This account shall include amounts payable under the terms of agreements or contracts whereby the deficit resulting from

the operation by others of properties of other companies having a separate corporate existence is to be paid, in whole or in part, by the accounting company.

In determining the amount payable by the accounting company, consideration shall be given not only to the operating revenues and operating expenses, but also to other items of income or deduction which affect that amount.

NOTE A.—The amount receivable by the operating company shall be credited by it to account No. 518, "Contributions from other companies."

NOTE B.—Dividends, or other returns upon securities issued by separately operated companies and held or controlled by the accounting company shall not be included in this account to offset a deficit payable, but in account No. 513, "Dividend income"; No. 514, "Income from funded securities"; or No. 515, "Income from unfunded securities and accounts," as may be appropriate.

546. INTEREST ON FUNDED DEBT.

This account shall include the current accruals of interest on all classes of debt, the principal of which is includible in balance-sheet account No. 755, "Funded debt unmatured," or No. 757, "Nonnegotiable debt to affiliated companies"; also interest accruals on debenture stock and on receiver's certificates issued for a term of more than one year. This account shall be kept in such form that the interest on debenture stock, on receivers' certificates, and on other classes of funded debt may be shown separately in the annual report to the Commission.

NOTE A.—This account shall not include charges for interest on funded debt obligations issued or assumed by the accounting company and owned by it, whether pledged as collateral or held in its treasury, in special deposits, or in sinking or other reserve funds. (See account No. 552, "Income applied to sinking and other reserve funds.")

NOTE B.—When funded debt is incurred for new lines or extensions, or for addition and betterment purposes, the accruals of interest on such funded debt (less interest received on unexpended balances), to the date of completion or coming into service of the property so acquired shall be included in the road and equipment accounts.

547. INTEREST ON UNFUNDED DEBT.

This account shall include interest accrued on unfunded dept, such as short-term notes payable on demand or having dates of maturity one year or less from dates of issue, interest on receiver's certificates issued for a term of one year or less,

interest on matured funded securities and open accounts including interest on overcharge claims, discount and expense on demand and short-term loans, interest on receipts outstanding for installments paid on capital stock, and other analogous items. The discount on short-term notes, if of a considerable amount, shall be distributed, through equal monthly charges, over the term of the notes.

NOTE.—When short-term notes or other evidences of unfunded indebtedness are issued for new lines or extensions or for addition and betterment purposes the accrual of interest to the date of completion or coming into service of the property shall be included in the road and equipment accounts.

548. AMORTIZATION OF DISCOUNT ON FUNDED DEBT.

This account shall be charged during each fiscal period with the proportion of the discount and expense on funded debt obligations applicable to that period. This proportion shall be determined according to a rule the uniform application of which through the interval between the date of sale and the date of maturity will extinguish the discount and expense on funded debt. The charge to this account for any period must not be either greater or less than the proportion of the balance remaining unamortized applicable to that period so long as any portion of the discount and expense remains unextinguished. (See special instructions for balance-sheet accounts, section 3.)

NOTE.—The accounting company may, at its option, charge to profit and loss account No. 617, "Debt discount extinguished through surplus," all or any portion of the discount and expense on funded debt remaining at any time unextinguished.

549. MAINTENANCE OF INVESTMENT ORGANIZATION.

This account shall include the directly assignable organization and administration expenses of the accounting company which are incident to its investments in leased or nonoperating physical property, and in stocks, bonds, or other securities.

ITEMS OF EXPENSE

Advertising annual reports (lessor companies only).

Calls for bonds in accordance with sinking fund provisions of mortgages.

Directors' fees.
Printing and mailing dividend checks.
Publishing and mailing annual reports and other corporate statements to shareholders.
Publishing notices of declaration of dividends.
Law expenses.
Office expenses.
Salaries of officers, clerks, and attendants.
Stationery and printing.

NOTE.—Organization and administration expenses incident to railway operation are provided for in operating expense general account VII, General.

550. INCOME TRANSFERRED TO OTHER COMPANIES.

This account shall include the whole or any portion of the income of the accounting company payable to another company under the terms of agreements or contracts without obligation for reimbursement.

In determining the amount payable by the accounting company, consideration shall be given not only to operating revenues and operating expenses, but also to other items of income or deduction which affect that amount.

NOTE A.—The amount receivable by the other company shall be credited by it to account No. 512, "Separately operated properties—Profit."

NOTE B.—Dividends or other payments upon securities issued or assumed by the accounting company shall not be included in this account.

551. MISCELLANEOUS INCOME CHARGES.

This account shall include all items in the nature of fixed charges properly chargeable to Income Account for a fiscal period not provided for elsewhere, such as "normal" and "additional" income tax upon the interest on accounting company's funded debt when assumed by it.

552. INCOME APPLIED TO SINKING AND OTHER RESERVE FUNDS.

This account shall include amounts applied to sinking and other reserve funds from income, whether definite appropriations from income; allotments or payments of definite amounts from income under the terms of mortgages, deeds of trust, or other contracts that provide for such allotments or payments; or accretions representing interest or other returns accrued on the contents of such funds and required to be retained therein.

NOTE A.—The amounts charged to this account shall be concurrently credited to balance-sheet accounts Nos. 773, 781, 782, and 783, as may be appropriate.

NOTE B.—Similar appropriations made from surplus shall be charged to profit and loss account No. 613, "Surplus applied to sinking and other reserve funds."

553. DIVIDEND APPROPRIATIONS OF INCOME.

This account shall include amounts definitely declared payable from the income of the fiscal period, as dividends on actually outstanding capital stock issued or assumed by the accounting company, other than debenture stock. (See definition of the several classes of capital stock in balance-sheet account No. 751, "Capital stock.") If a dividend is not payable in cash the consideration shall be described in the entry with sufficient particularity to identify it.

This account shall be subdivided so as to show separately the dividends on the various subclasses of capital stock.

NOTE A.—Interest accrued on debenture stock shall be charged to account No. 546, "Interest on funded debt."

NOTE B.—This account shall not include charges for dividends on capital stock issued or assumed by the accounting company and owned by it, whether pledged as collateral, or held in its treasury, in special deposits, or in sinking or other reserve funds. (See account No. 552, "Income applied to sinking and other reserve funds.")

NOTE C.—This account shall be used when the appropriations are definitely made chargeable to Income. Similar appropriations made from surplus shall be charged to profit and loss account No. 614, "Dividend appropriations of surplus."

554. INCOME APPROPRIATED FOR INVESTMENT IN PHYSICAL PROPERTY.

This account shall include amounts definitely appropriated from income to be applied for the construction or acquisition of new lines and extensions and of additions to and betterments of property the cost of which is chargeable to road and equipment accounts or applied for the construction or acquisition of property the cost of which is includible in balance-sheet account No. 705, "Miscellaneous physical property."

Records of the accounting carrier shall be so kept that the appropriations charged to this account for any fiscal period may be distinguished as relating to (*a*) amounts expended during

preceding fiscal periods, (*b*) amounts expended during the current fiscal period, and (*c*) amounts held in reserve.

The records shall also show separately appropriations for investment in road and equipment and for investment in miscellaneous physical property.

NOTE A.—Similar appropriations made from surplus shall be charged to profit and loss account No. 615, "Surplus appropriated for investment in physical property."

NOTE B.—The amounts charged to this account shall be concurrently credited to balance-sheet account No. 779, "Additions to property through income and surplus," to No. 782, "Miscellaneous fund reserves," or to No. 783, "Appropriated surplus not specifically invested," as may be appropriate.

555. STOCK DISCOUNT EXTINGUISHED THROUGH INCOME.

This account shall include amounts definitely appropriated from income to reduce or extinguish the amount of discount on capital stock issued by the accounting company. (See balance-sheet account No. 724, "Discount on capital stock.")

NOTE.—Similar appropriations made from surplus shall be charged to profit and loss account No. 616, "Stock discount extinguished through surplus."

556. MISCELLANEOUS APPROPRIATIONS OF INCOME.

Except as provided in account No. 552, "Income applied to sinking and other reserve funds," this account shall include amounts definitely appropriated from income for the discharge of the principal (less the discount, if any, suffered at the time of sale) of any indebtedness incurred in the acquisition or improvement of property carried in the road and equipment accounts; also amounts similarly appropriated to provide a reserve for doubtful accounts, and for other purposes not provided for elsewhere.

NOTE.—Similar appropriations made from surplus shall be charged to profit and loss account No. 618, "Miscellaneous appropriations of surplus."

PROFIT AND LOSS ACCOUNTS

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SPECIAL INSTRUCTIONS

1. Profit and Loss Accounts Defined.—Profit and loss accounts are those designed to show the changes in the corporate surplus or deficit during each fiscal period, as effected by the

operations and business transactions during that period, by any disposition of net profits made solely at the option of the accounting company, by accounting adjustments of matters not properly attributable to the period, or by miscellaneous gains or losses not provided for elsewhere; and to show also the unappropriated surplus of the carrier at the date of the balance sheet.

2. DELAYED ITEMS.—When no provisions have been made through entries in the operating revenue, operating expense, or other income accounts for anticipating delayed items chargeable or creditable thereto, and the amount of any such item is relatively so large that its inclusion in the accounts for a single year would seriously distort those accounts, the carrier, when so authorized upon application to the Interstate Commerce Commission, shall distribute to Profit and Loss so much of the amount as may be authorized. The application to the Commission for exceptional accounting for delayed items shall give full particulars concerning each item and the reasons which, in the carrier's judgment, indicate the need for a special accounting rule.

Delayed items are items representing transactions which occurred before the current fiscal year.

TEXT PERTAINING TO PROFIT AND LOSS ACCOUNTS

I. CREDITS.

601. CREDIT BALANCE (AT BEGINNING OF FISCAL PERIOD).

This account shall include the net credit balance in the Profit and Loss Account at the beginning of the fiscal period.

602. CREDIT BALANCE TRANSFERRED FROM INCOME.

This account shall show the net credit balance brought forward from the Income Account for the fiscal period.

603. PROFIT ON ROAD AND EQUIPMENT SOLD.

This account shall include the proceeds from the sale of road and equipment property in excess of the amount at which such property was carried in the property account at the time of sale.

604. DELAYED INCOME CREDITS.

This account shall include relatively large credits relating to operating revenue, operating expense, and other income accounts of previous fiscal periods.

This account shall be used only after permission of the Interstate Commerce Commission has been obtained. (See section 3 of the general instructions for the classification of operating revenues and operating expenses, section 2 of the special instructions for income accounts, and section 2 of the special instructions for this classification.)

NOTE.—Except as provided for above, delayed items relating to operating revenue, operating expense, and other income items shall be included in the appropriate revenue, expense, or other income accounts for the fiscal period in which the audit of the items occurs.

605. UNREFUNDABLE OVERCHARGES.

This account shall include the amount of revenue overcharges which are determined during the current fiscal period to be unrefundable. (See section 1 of special instructions for the classification of operating revenues.)

606. DONATIONS.

This account shall include amounts, creditable to surplus, of cash or its equivalent in estimated value at the time of acquisition of lands or other property donated by individuals or companies for the construction or acquisition of property. It shall also include donations made by individuals and companies in connection with the construction of new lines for the purpose of compensating the carrier for loss anticipated during the early period of operation.

Any advances made by individuals or companies with absolute or conditional provision for partial or complete reimbursement shall not be considered a donation prior to the fulfillment of all conditions, and then only to the extent to which

the liability for reimbursement is nullified or negatived. Prior to such determination the amounts received shall be credited in balance-sheet account No. 778, "Other unadjusted credits."

NOTE.—Donations made by States, municipalities, and other public corporations as their contributions toward the construction or acquisition of property shall be included in balance-sheet account No. 754, "Grants in aid of construction."

607. MISCELLANEOUS CREDITS.

This account shall include amounts, not provided for elsewhere, transferred from other accounts to Profit and Loss, and amounts representing increases of resources not properly assignable to the income accounts. Among the items which shall be included in this account are—

Adjustments or cancellations of balance-sheet accounts,

Cancellation of balance-sheet accounts representing unclaimed wages and vouchered accounts written off because of carrier's inability to locate the creditor,

Profit derived from the sale of investment securities,

Profit derived from the sale of property carried in balance-sheet account No. 705, "Miscellaneous physical property,"

Credits resulting from adjustments required to bring to par securities issued or assumed by the accounting company and reacquired at a cost less than the par value,

Premiums on capital stock at the time of its reacquirement (see special instructions for balance-sheet accounts, section 2),

Unreleased premiums on funded debt reacquired before maturity (see special instructions for balance-sheet accounts, section 3),

Collections of old accounts previously written off.

NOTE.—Revenue overcharges when determined to be unrefundable shall be credited to account No. 605, "Unrefundable overcharges."

II. DEBITS.

611. DEBIT BALANCE (AT BEGINNING OF FISCAL PERIOD).

This account shall include the debit balance in the Profit and Loss Account at the beginning of the fiscal period.

612. DEBIT BALANCE TRANSFERRED FROM INCOME.

This account shall show the net debit balance brought forward from the Income Account for the fiscal period.

613. SURPLUS APPLIED TO SINKING AND OTHER RESERVE FUNDS.

This account shall include amounts definitely appropriated from surplus and applied to sinking and other reserve funds; and allotments or payments of definite amounts from surplus into sinking and other reserve funds under the terms of mortgages, deeds of trust, or other contracts that provide for such allotments or payments.

NOTE A.—The amounts charged to this account shall be concurrently credited to the appropriate balance-sheet accounts.

NOTE B.—Similar appropriations made from income shall be charged to income account No. 552, "Income applied to sinking and other reserve funds."

614. DIVIDEND APPROPRIATIONS OF SURPLUS.

This account shall include amounts definitely declared payable from surplus as dividends on actually outstanding capital stock issued or assumed by the accounting company, other than debenture stock. (See definition of the several classes of capital stock in balance-sheet account No. 751, "Capital stock.") If a dividend is not payable in cash the consideration shall be described in the entry with sufficient particularity to identify it.

This account shall be subdivided so as to show separately the dividends on the various subclasses of capital stock.

NOTE A.—Interest accrued on debenture stock shall be charged to income account No. 546, "Interest on funded debt."

NOTE B.—This account shall not include charges for dividends on capital stock issued or assumed by the accounting company and owned by it, whether pledged as collateral or held in its treasury, in special deposits, or in sinking or other reserve funds. (See account No. 613, "Surplus applied to sinking and other reserve funds.")

NOTE C.—Similar appropriations made from income shall be charged to income account No. 553, "Dividend appropriations of income."

615. SURPLUS APPROPRIATED FOR INVESTMENT IN PHYSICAL PROPERTY.

This account shall include amounts definitely appropriated from surplus, to be applied for the construction or acquisition

of new lines and extensions and of additions to and betterments of property the cost of which is includible in the road and equipment accounts or applied for the construction, acquisition, or improvement of property the cost of which is includible in balance-sheet account No. 705, "Miscellaneous physical property," and also the amount of donations in aid of construction, made by individuals and companies, not subject to distribution as dividends.

Records of the accounting carrier shall be so kept that the appropriations charged to this account for any fiscal period may be distinguished as relating to (*a*) amounts expended during preceding fiscal periods, (*b*) amounts expended during the current fiscal period, and (*c*) amounts held in reserve.

NOTE A.—Similar appropriations made from income shall be charged to income account No. 554, "Income appropriated for investment in physical property."

NOTE B.—The amounts charged to this account shall be concurrently credited to balance-sheet account No. 779, "Additions to property through income and surplus," to No. 782, "Miscellaneous fund reserves," or to No. 783, "Appropriated surplus not specifically invested," as may be appropriate.

616. STOCK DISCOUNT EXTINGUISHED THROUGH SURPLUS.

This account shall include amounts definitely appropriated from surplus to reduce or extinguish the amount of discount on capital stock issued by the accounting company. (See special instructions for balance-sheet accounts, section 2.)

NOTE.—Similar appropriations made from income shall be charged to income account No. 555, "Stock discount extinguished through income."

617. DEBT DISCOUNT EXTINGUISHED THROUGH SURPLUS.

This account shall include appropriations of surplus made, at the option of the accounting company, to reduce or extinguish the discount and expense on funded debt. (See income account No. 548, "Amortization of discount on funded debt," and balance-sheet account No. 725, "Discount on funded debt.")

618. MISCELLANEOUS APPROPRIATIONS OF SURPLUS.

This account shall include amounts definitely appropriated from surplus to provide a reserve for doubtful accounts and,

except as provided in account No. 613, "Surplus applied to sinking and other reserve funds," for the discharge of the principal (less the discount, if any, suffered at the time of sale) of any indebtedness incurred in the acquisition or improvement of property carried in the road and equipment accounts; also other amounts appropriated from surplus and not provided for elsewhere.

NOTE.—Similar appropriations from income shall be charged to income account No. 556, "Miscellaneous appropriations of income."

619. LOSS ON RETIRED ROAD AND EQUIPMENT.

This account shall include charges to Profit and Loss as provided for in the classification of investment in road and equipment, on account of (1) road which has been abandoned, sold, or otherwise retired; and (2) equipment which has been abandoned, sold, or otherwise retired. (See general instructions, section 8, and general account II, Equipment, in the classification of investment in road and equipment.)

620. DELAYED INCOME DEBITS.

This account shall include relatively large debits relating to operating revenue, operating expense, and other income accounts of previous fiscal periods.

This account shall be used only after permission of the Interstate Commerce Commission has been obtained. (See section 3 of the general instructions for the classification of operating revenues and operating expenses, section 2 of the special instructions for the income accounts, and section 2 of the special instructions for this classification.)

NOTE A.—Except as provided above, delayed items relating to operating revenue, operating expense, and other income items shall be included in the appropriate revenue, expense, or other income account for the fiscal period in which the audit of the items occurs.

NOTE B.—All entries in this account shall be made in such detail as will indicate the operating revenue, operating expense, or other income accounts to which they relate.

621. MISCELLANEOUS DEBITS.

This account shall include amounts, not provided for elsewhere, chargeable to Profit and Loss from other accounts, amounts written off in consequence of adjustments, and pay-

ments not properly chargeable to the income accounts. Among the items which shall be charged to this account are—

Adjustments or cancellations of balance-sheet accounts,

Losses or deficits not properly chargeable to Income, such as uncollectible bills (other than bills covering revenue charges) for which no reserve has been provided,

Losses resulting from the sale of investment securities,

Losses resulting from the sale, destruction, or abandonment of property carried in balance-sheet account No. 705, "Miscellaneous physical property,"

Debits resulting from adjustments required to bring to par securities issued or assumed by the accounting company and reacquired at a cost exceeding the par value,

Adjustments of the difference between the ledger value and estimated value of land withdrawn from railway service and charged to account No. 705, "Miscellaneous physical property." (See general instructions in the classification of investment in road and equipment, section 10.)

Discounts on stock remaining unextinguished at the time of its reacquirement,

Unextinguished discounts on funded debt reacquired before maturity,

Payments of old accounts previously written off,

Penalties and fines for violation of the Act to Regulate Commerce, or other Federal laws, when not specifically provided for elsewhere.

NOTE.—Revenue charges when determined to be uncollectible shall be charged to income account No. 533, "Uncollectible railway revenues."

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SPECIAL INSTRUCTIONS

1. Balance-sheet Accounts.—Balance-sheet accounts are those showing the assets, liabilities, and corporate surplus or deficit of the business.

2. Discount and Premium on Capital Stock.—Ledger accounts shall be provided to cover the discounts and premiums at the sale or resale of each subclass of capital stock issued or assumed by the company. The total of the net debit balances remaining in these several accounts shall be included in account No. 724, "Discount on capital stock," and the total of the net credit balances in account No. 753, "Premium on capital stock." For explanation of *subclass* see account No. 751, "Capital stock."

By the term *discount* is meant the excess of the par value of stocks actually issued or assumed over the actual money value of the consideration received for such stocks. By the term *premium* is meant the excess of the actual money value of the consideration received for stock actually issued or assumed over the par value of such stock.

The term *premium* is not intended to include amounts received representing expected dividends considered to have accrued since the last dividend period in case of stocks on which dividends are regularly paid, nor is discount, as above defined, intended to be diminished by any such amount representing expected dividends explicitly stated in the price at which the stock is issued.

Entries in these accounts representing discounts shall be carried therein until offset (1) by premiums realized on subsequent sales of the same subclass of stock, (2) by assessments levied on the stockholders, (3) by appropriations of income or surplus for that purpose, or (4) by charges to Profit and Loss upon reacquirement of the stock. Entries in these accounts representing premiums realized shall be carried therein until offset (1) by discounts suffered on sales of the same subclass of stock, or (2) by credits to Profit and Loss upon reacquirement of the stock.

In case the accounting company is permitted and elects to distribute all or any part of the net premium on its capital stock to its stockholders, the amount thus distributed shall be charged to the premium account.

For the purpose of this classification the premium realized at the sale of capital stock shall not be considered a profit and loss item, except upon the reacquirement of the stock sold.

In no case shall discount on capital stock be charged to or included in any account as a part of the cost of acquiring any property, tangible or intangible, or as a part of the cost of operation.

When stock which has been issued or assumed by the accounting company is reacquired, the difference between the price paid and the par value of the stock shall be credited to profit and loss account No. 607, "Miscellaneous credits," or charged to account No. 621, "Miscellaneous debits," as may be appropriate. Concurrently the premium or discount account for the particular issue of stock reacquired shall be adjusted through Profit and Loss to the extent of the premium or discount applicable to the shares reacquired. In case the premium realized or discount suffered at the prior sale of the stock reacquired has been included in an asset account other than the premiums and discounts account, such asset account shall be concurrently adjusted through Profit and Loss to the extent of the premium or discount previously included therein with respect to the shares reacquired.

3. Discount, Expense, and Premium on Funded Debt.—Ledger accounts shall be provided to cover the discounts, expense, and premiums at the sale or resale of each subclass of funded debt and of receiver's certificates issued for the benefit of or assumed by the company. For explanation of *subclass* see account No. 755, "Funded debt unmatured."

By the term *discount* is meant the excess of the par value of funded debt securities (of whatever kind) issued or assumed, and the accrued interest thereon, over the actual cash value of the consideration received for such securities.

By the term *premium* is meant the excess of the actual cash

value of the consideration received for funded debt securities (of whatever kind) issued or assumed over the par value of such securities and the accrued interest thereon.

By the term *expense* is meant all expense in connection with the issue and sale of evidences of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording mortgages and trust deeds; cost of engraving and printing bonds, certificates of indebtedness, and other negotiable paper having a life of more than one year; fees paid trustees provided for in mortgages and trust deeds; fees paid for legal services to trustees relative to mortgage securities; fees and commissions paid underwriters and brokers for marketing such evidences of debt; and other like expense.

The total of the net debit balances remaining in these several accounts should be included in account No. 725, "Discount on funded debt," and the total of the net credit balances in account No. 772, "Premium on funded debt."

Each fiscal period there shall be charged to income account No. 548, "Amortization of discount on funded debt," a proportion (based upon the ratio of such fiscal period to the remaining life of the respective securities reckoned from the beginning of the period to the date of maturity of the debt to which the charges relate) of each of the debit balances in these accounts, and correspondingly there shall be credited to income account No. 517, "Release of premiums on funded debt," a similar proportion of each of the credit balances in these accounts. Carriers are allowed the option of extinguishing at any time, through charges to Profit and Loss, all or any portion of the debit balances remaining in any of these accounts and of deferring the extinguishment of credit balances until the maturity of the obligations represented.

When any funded debt which has been actually issued to bona fide holders for value is reacquired by the accounting company, that proportion of the balance remaining in the accounts containing discount, expense, and premium on funded debt for the subclass of the security reacquired applicable to the portion reacquired shall be credited or charged thereto, as may be appropriate, and concurrently charged or credited to Profit and

Loss. Such proportion shall be based upon the ratio of the par value of the security reacquired to the par value of all the securities of the subclass actually outstanding immediately before such reacquirement.

In case, however, the premium realized or discount suffered at the prior sale of the securities reacquired has been included (in excess of the amount authorized in the text of road and equipment account No. 76, "Interest during construction") in an asset account other than the premiums and discounts account, such asset account shall be concurrently adjusted through Profit and Loss to the extent of such excess of the premium or discount previously included therein with respect to the securities reacquired.

Except as provided for in road and equipment account No. 76, "Interest during construction," no discount and expense on funded debt shall be charged to or included in any account as a part of the cost of acquiring any property, tangible or intangible, or as a part of the cost of operation.

4. Contingent Assets and Liabilities.—Contingent assets and liabilities shall not be included in the body of the balance-sheet statement, but shall be shown in detail in a supplementary statement accompanying the balance-sheet statement. Contingent assets are those without value to the accounting company until the fulfillment of conditions regarded as uncertain. Contingent liabilities include items which may, under certain conditions, become obligations of the company, but are neither direct nor assumed obligations on the date of the balance sheet.

5. Book Value of Securities Owned.—The accounting company is allowed the option of carrying its investments in securities other than those issued or assumed by it either at cost or at a reasonable valuation other than cost. In recognition of this option the term *ledger value* is used in the text of the accounts representing securities owned.

6. Income from Sinking Fund Assets.—Accrued interest on uninvested sinking fund cash on deposit in banks or trust companies, and accrued interest and other income arising from stocks, bonds, or other assets held in sinking and reserve funds

shall be credited to account No. 516, "Income from sinking and other reserve funds," and when required by the mortgage or other provision to be held in the funds shall be charged, according to the character of the funds, to account No. 703, "Sinking funds," or to account No. 721, "Insurance and other funds," and concurrently, if a reserve is required, an equal amount shall be charged to income account No. 552, "Income applied to sinking and other reserve funds" and credited to account No. 773, "Insurance and casualty reserves," No. 781, "Sinking fund reserves," or No. 782, "Miscellaneous fund reserves," as the case may require.

7. Current Assets.—In the group of accounts designated as current assets (accounts No. 708 to No. 719, inclusive) there shall not be included any item the ledger value of which is not reasonably assured by the known financial condition of the debtor. The amount of any item of a current character but of doubtful value shall be included in account No. 722, "Other deferred assets," or written off through Profit and Loss, as may be appropriate. If desirable to retain a record of the item in the balance sheet, it may be stated at a nominal value in account No. 722, "Other deferred assets," the difference between the full amount of the item and such nominal value being charged to Profit and Loss.

8. Joint Liabilities.—The accounting company shall state as a liability in its balance sheet the total par value of securities jointly issued by it and others, and it shall include in account No. 722, "Other deferred assets," the portion of such liability which, under the joint arrangement, it is expected will be liquidated by the other party or parties to the joint arrangement.

TEXT PERTAINING TO GENERAL BALANCE SHEET ACCOUNTS

DEBITS.

701. INVESTMENT IN ROAD AND EQUIPMENT.

This account shall include the accounting company's investment in road and equipment (including that held under contract for purchase) in existence at the date of the balance sheet. The accounting company's records shall be kept in such manner as to show the amount credited to this account subsequent to June 30, 1914, for property retired, the cost of which was included in the account of that date.

NOTE A.—This account shall not include any items representing titles to securities.

NOTE B.—When any equipment is acquired under an agreement which provides that the cost shall be paid in installments, the cost (its money value at time of purchase) shall be charged to the appropriate road and equipment accounts at the time of its acquisition, and included in this account in the same manner as the cost of equipment purchased outright. When the par value of notes or other securities issued in payment, or in part payment, for such equipment is more (or less) than the actual cash value of the equipment at the time of the purchase, or of the proportion to which the securities are applicable, the difference between the par value of the securities and the actual cash value of the equipment, or of the proportion paid for by the securities, shall be charged (or credited) to the proper discount and premium accounts.

702. IMPROVEMENTS ON LEASED RAILWAY PROPERTY.

This account shall include the accounting company's investment in additions and betterments made by it to railway property held under long-term lease or through control of the corporation owning the property and in existence at the date of the balance sheet. The accounting company's records shall be kept in such manner as to show the amount credited to this account subsequent to June 30, 1914, for property retired, the cost of which was included in the account at that date. The amounts included in this account shall be classified in the ac-

counts provided in the classification for investment in road and equipment.

NOTE.—This account shall not include any items representing titles to securities.

703. SINKING FUNDS.

This account shall include the amount of cash, the ledger value of live securities of other companies, and other assets which are held by trustees of sinking and other funds for the purpose of redeeming outstanding obligations, including such assets so held in the hands of the accounting company's treasurer when the assets are segregated in a distinct fund; also amounts deposited with such trustees on account of mortgaged property sold the proceeds of which are to be held for the redemption of securities, and the par value of live securities issued or assumed by the accounting company and held in such funds. A separate account shall be kept for each fund. The title of each such account shall designate the obligation in support of which the fund is created.

NOTE.—In stating the balance sheet in the annual reports to the Commission the total amount of the funds and the par value of securities issued or assumed by the accounting company and held in the funds shall be shown in the short columns, and the net amount of the funds (total amount less securities issued or assumed) shall be shown in the long column.

704. DEPOSITS IN LIEU OF MORTGAGED PROPERTY SOLD.

This account shall include funds deposited with trustees, to be held until mortgaged property sold is replaced.

NOTE.—In stating the balance sheet in the annual reports to the Commission the total amount of the funds and the par value of securities issued or assumed by the accounting company and held in the funds shall be shown in the short columns, and the net amount of the funds (total amount less securities issued or assumed) shall be shown in the long column.

705. MISCELLANEOUS PHYSICAL PROPERTY.

This account shall include the accounting company's investments in physical property other than transportation property assignable to accounts Nos. 701 and 702, including hotels, restaurants, commercial power plants, etc., which are entirely dis-

tinct from transportation property and are not operated in connection with the transportation service of the accounting company.

ITEMS OF INVESTMENT

Coal and other mines.
Commercial power plants.
Hotels and restaurants.
Lands and buildings not used in transportation operations.
Lands and other property acquired and held in anticipation of future use.
Mineral and timber lands.
Rails and other track material leased to others.
Sawmills and other manufacturing plants not operated in connection with transportation service.

706. INVESTMENTS IN AFFILIATED COMPANIES.

This account shall include the ledger value of the accounting company's investment advances to affiliated companies, also of its investment in securities issued or assumed by such companies, such securities not being held in special deposits or in special funds.

This account shall be subdivided:

(*a*) Stocks.

(*b*) Bonds.

(*c*) Notes, including herein not only notes that run longer than one year and all notes of affiliated companies held as investments, but also notes payable on demand or within one year from the date of issue when it is mutually understood and intended that the notes shall not be enforced as current assets.

(*d*) Advances.

The accounting company's record shall be kept in such manner that the ledger value of securities pledged as collateral security for any of the accounting company's funded debt or short-term loans and the ledger value of securities unpledged may be shown separately in the annual report to the Commission.

NOTE A.—Accounts with affiliated companies which are subject to current settlements, such as traffic and car-service balances, charges for material and supplies currently furnished, charges for repairs to equipment, etc., shall be classed as current assets or current liabilities, as may be appropriate.

NOTE B.—The term *affiliated companies* includes:

1. Controlled companies, including companies solely controlled by

the accounting company, and also companies jointly controlled by the accounting company and others under a joint arrangement.

2. Controlling companies, including both companies solely controlling the accounting company, and companies which jointly control the accounting company under a joint arrangement.

3. Companies controlled by controlled companies.

4. Companies controlled by controlling companies.

By *control* is meant the ability to determine the action of a corporation. For the purposes of this account, the following are to be considered forms of control:

(*a*) Right through title to securities issued or assumed to exercise the major part of the voting power in the controlled corporation.

(*b*) Right through agreement of some character or through some source other than title to securities, to name the majority of the board of directors, managers, or trustees of the controlled corporation.

(*c*) Right to foreclose a first lien upon all or a major part in value of the tangible property of the controlled corporation.

(*d*) Right to secure control in consequence of advances made for construction of the operating property of the controlled corporation.

(*e*) Right to control only in a specific respect the action of the controlled corporation.

A leasehold interest in the property of a corporation is *not* to be classed as *a form of control over the lessor corporation.*

Sole control is that which rests in one corporation.

Joint control is that which rests in two or more corporations and which is held under a joint arrangement.

NOTE C.—The value of securities *borrowed* by the accounting company and pledged shall not be included in this account.

NOTE D.—The value of securities pledged for purposes other than that of security for funded debt or short-term loans shall be included in account No. 703, "Sinking funds," No. 704, "Deposits in lieu of mortgaged property sold," No. 711, "Special deposits," or No. 721, "Insurance and other funds," as may be appropriate.

707. OTHER INVESTMENTS.

This account shall include the ledger value of the accounting company's investment advances to nonaffiliated companies and to individuals, and of its investment in securities issued or assumed by such companies, such securities not being held in special deposits or in special funds; also miscellaneous investments not provide for elsewhere.

This account shall be subdivided:

(*a*) Stocks.

(*b*) Bonds.

(*c*) Notes, including herein not only notes that run longer than one year and all notes of nonaffiliated companies and of individuals held as investments, but also notes payble on de-

mand or within one year from date of issue when it is mutually understood and intended that the notes shall not be enforced as current assets.

(*d*) Advances.

(*e*) Miscellaneous.

The accounting company's records shall be kept in such manner that the ledger value of securities pledged as collateral security for any of the accounting company's funded debt or short-term loans and the ledger value of securities unpledged may be shown separately in the annual report to the Commission.

NOTE A.—Accounts with nonaffiliated companies which are subject to current settlements, such as traffic and car-service balances, charges for materials and supplies currently furnished, charges for repairs to equipment, etc., shall be classed as current assets or current liabilities, as may be appropriate.

NOTE B.—The term *nonaffiliated companies* includes all companies other than those defined as affiliated in Note B of account No. 706, "Investments in affiliated companies."

NOTE C.—The value of securities *borrowed* by the accounting company and pledged shall not be included in this account.

NOTE D.—The value of securities pledged for purposes other than that of security for funded debt or short-term loans shall be included in account No. 703, "Sinking funds," No. 704, "Deposits in lieu of mortgaged property sold," No. 711, "Special deposits," or No. 721, "Insurance and other funds," as may be appropriate.

708. CASH.

This account shall include money, checks, sight drafts, and sight bills of exchange in the hands of the accounting company's financial officers and agents, or in transit from its agents and conductors for which such agents and conductors have received credit. It shall also include deposits with banks and trust companies subject to check. (See special instructions, section 7.)

709. DEMAND LOANS AND DEPOSITS.

This account shall include the amount of demand loans fully secured by stocks, bonds, and other marketable collateral, and of deposits with banks and trust companies when such items are subject to collection on demand. (See special instructions, section 7.)

710. TIME DRAFTS AND DEPOSITS.

This account shall include the amount of time drafts receivable and time deposits with banks and trust companies. (See special instructions, section 7.)

711. SPECIAL DEPOSITS.

This account shall include funds specially deposited (other than in sinking funds) for the payment of dividends, interest, and other debts; also money and securities deposited to insure the performance of contracts to be performed within one year from the date of the balance sheet; and other deposits of a special nature not provided for elsewhere. (See special instructions, section 7.)

NOTE A.—Securities pledged as collateral for the accounting company's funded debt or short-term loans shall be included in accordance with the character of the securities pledged in accounts Nos. 706, 707 or 729.

NOTE B.—In stating the balance sheet in the annual reports to the Commission the total amount of the funds and the par value of securities issued or assumed by the accounting company and held in the funds shall be shown in the short columns, and the net amount of the funds (total amount less securities issued or assumed) shall be shown in the long column.

712. LOANS AND BILLS RECEIVABLE.

This account shall include the book value of all collectible obligations in the form of demand or time loans and bills receivable, or other similar evidences (except interest coupons) of money receivable within a time not exceeding one year from date of issue. (See special instructions, section 7.)

NOTE A.—This account does not include obligations which mature more than one year after date of issue, or demand or short-term notes held as investments includible in accounts Nos. 706 and 707.

NOTE B.—Demand loans fully secured by stocks, bonds, or other marketable collateral shall be included in account No. 709, "Demand loans and deposits."

713. TRAFFIC AND CAR-SERVICE BALANCES RECEIVABLE.

This account shall include the net amount receivable from other companies, against each of which there is a net debit balance in the total of the accounts representing interline freight, passenger, and baggage revenues, and charges for equipment

interchanged on a per diem or a mileage basis. (See special instructions, section 7.)

NOTE.—The amount to be entered in this account is not the net balance between this account and account No. 759, "Traffic and car-service balances payable."

714. NET BALANCE RECEIVABLE FROM AGENTS AND CONDUCTORS.

This account shall include the net balance due in current accounts from agents, from train, sleeping car, and dining car conductors, and from train collectors, train auditors, porters, and other employees and representatives charged with the collection or custody of current revenues. (See special instructions, section 7.)

NOTE.—Amounts advanced to general and special agents as working funds shall not be included in this account, but in account No. 720, "Working fund advances."

715. MISCELLANEOUS ACCOUNTS RECEIVABLE.

This account shall include amounts due in audited accounts considered good, such as those due from the United States or other Governments for the transportation of mails and Government property, and from express companies for express facilities furnished under contract; amounts due from other carriers on account of freight claims paid; miscellaneous bills against other railway companies, corporations, firms, and individuals, and other similar items. (See special instructions, section 7.)

NOTE.—The amount to be entered in this account is not the net balance between this account and account No. 761, "Miscellaneous accounts payable."

716. MATERIAL AND SUPPLIES.

This account shall include the balances representing the cost, less depreciation, if any, of all unapplied material, such as road and shop material, articles in process of manufacture by the accounting company, fuel, stationery, and dining car and other supplies. In determining the cost of material and supplies suitable allowance shall be made for any discounts allowed in the purchase thereof.

NOTE.—Balances representing the cost of unapplied construction material and supplies located at the point of use, which have been pur-

chased for projected new roads and extensions, are provided for in road and equipment account No. 47, "Unapplied construction material and supplies."

717. INTEREST AND DIVIDENDS RECEIVABLE.

This account shall include the amount of interest accrued to the date of the balance sheet on bonds owned and on loans made, the amount of dividends declared on stocks owned, and dividends accrued on such stocks when contracts require that the dividends be paid at stated times. (See special instructions, section 7.)

NOTE A.—No amount representing interest or dividends receivable shall be included in this account unless its payment is reasonably assured by past experience, anticipated provision, or otherwise.

NOTE B.—No dividends or other returns on securities issued or assumed by the accounting company shall be included in this account.

718. RENTS RECEIVABLE.

This account shall include rents receivable accrued to the date of the balance sheet under leases and not includible in account No. 715, "Miscellaneous accounts receivable." It is not required that minor rents shall be accounted for upon an accrual basis. (See special instructions, section 7.)

719. OTHER CURRENT ASSETS.

This account shall include items of current assets not covered by accounts Nos. 708 to 718, inclusive.

It shall include asset items that have not yet reached the stage of audited accounts and become classable in account No. 715, and yet have been advanced beyond the stage of accounts properly classable in account No. 722. (See special instructions, section 7.)

720. WORKING FUND ADVANCES.

This account shall include amounts advanced to general and special agents, and to other officers and employees, as working funds from which certain expenditures are to be made and accounted for. It also includes advances to fast freight lines and to demurrage and other bureaus.

721. INSURANCE AND OTHER FUNDS.

This account shall include the amount of cash and the ledger value of securities of other companies and other assets which ear

in the hands of trustees or managers of insurance, employees' pension, savings, relief, hospital, and other funds which have been raised and specifically set aside or invested for specific purposes not provided for elsewhere; also the par value of securities issued or assumed by the accounting company and held in such funds. A separate account shall be kept for each fund.

NOTE A.—Sinking funds and special deposits for the retirement of obligations are provided for in accounts No. 703 and No. 711, respectively.

NOTE B.—In stating the balance sheet in the annual reports to the Commission the total amount of the funds and the par value of securities issued or assumed by the accounting company and held in the funds shall be shown in the short columns, and the net amount of the funds (total amount less securities issued or assumed) shall be shown in the long column.

NOTE C.—This account shall not include funds held by the accounting company solely as trustee and in which it has no beneficial interest.

722. OTHER DEFERRED ASSETS.

This account shall include items of deferred assets not covered by accounts No. 720 and No. 721.

723. RENTS AND INSURANCE PREMIUMS PAID IN ADVANCE.

This account shall include the balances in the accounts representing prepaid rents chargeable to the appropriate rent accounts under Income as the term is consumed for which the rents are paid; also insurance premiums paid in advance of their accrual, which premiums are to be apportioned and charged, as they accrue, to appropriate accounts.

724. DISCOUNT ON CAPITAL STOCK.

This account shall include the total of the net debit balances in the discount and premium accounts for the several subclasses of capital stock. (See special instructions, section 2.)

725. DISCOUNT ON FUNDED DEBT.

This account shall include the total of the net debit balances in the discount, expense, and premium accounts for the several subclasses of funded debt. (See special instructions, section 3.)

726. PROPERTY ABANDONED CHARGEABLE TO OPERATING EXPENSES.

This account is intended as a suspense account, in which may be included amounts chargeable to Operating Expenses for fixed improvements abandoned directly in connection with improvement or betterment work which are relatively large and the inclusion of which in the carrier's accounts for a single year would seriously distort the accounts. It is to be used only after permission of the Interstate Commerce Commission has been asked and given. The carrier, in its application to the Commission, shall give full particulars concerning the property retired, the amount chargeable to Operating Expenses, and the period over which, in its judgment, the amount of such charge should be distributed.

For each item remaining at the close of the year in this account the accounting carrier shall indicate in its annual report to the Commission, with respect to each item of property abandoned, the period over which it is proposed to distribute the balance relating to the item, the date of the abandonment of the property, and the total amount originally to be charged to Operating Expenses.

727. OTHER UNADJUSTED DEBITS.

This account shall include the amount of debit balances in suspense accounts that can not be entirely cleared and disposed of until additional information is received, such as freight claims paid when found to be correct, but in advance of investigation with other carriers; interest paid in advance; debit balances in clearing accounts, such as "Shop expenses," "Store expenses," "Operations of gravel pits," and "Operations of quarries"; items credited to Operating Revenues or Operating Expenses on an estimate basis in accordance with general instructions for the classification of operating revenues and operating expenses, section 2; unextinguished discount on short-term notes; estimated accrued depreciation on equipment leased (see general instructions, section 2); unadjusted debit items not provided for in accounts Nos. 724, 725, and 726, and other similar items.

728. SECURITIES ISSUED OR ASSUMED—UNPLEDGED.

This account shall include the par value of securities issued by the accounting company and the par value of securities issued by other companies and assumed by the accounting company, that are held unpledged in the company's treasury or by its agents or trustees, except trustees of sinking or other similar funds.

This account shall be divided into (*a*) Stocks, and (*b*) Bonds and other evidences of funded debt, each of which divisions shall be further so subdivided that in the company's annual report to the Commission may be shown (1) amount nominally but not actually issued, and (2) amount nominally outstanding.

NOTE A.—The term *securities*, as used in this account, includes all authorized certificates of stock and evidences of indebtedness which have been signed, sealed, and, when required, certified by the registrar or by the trustees under the mortgage or contract, and are not short-term securities. By *short-term securities* are meant those which are payable on demand or which mature not more than one year from date of issue. (See also Notes B to accounts Nos. 751 and 755.)

NOTE B.—This account shall not include securities that are merely guaranteed.

NOTE C.—This account shall not include any securities held in sinking and other reserve funds.

NOTE D.—In the general balance-sheet statement the balance in this account shall be stated in the short column only.

NOTE E.—When any securities have been actually issued to bona fide holders for value, or after issue by another company have been assumed by the accounting company, and after such issue or assumption are reacquired under circumstances which require that they shall not be treated as canceled or retired, they shall be included in this account at par value; the difference between the par value and the amount paid in reacquiring such securities shall be debited (or credited, as the case may be) to Profit and Loss. If such securities are subsequently pledged, they shall be included in account No. 729, "Securities issued or assumed—Pledged." (See special instructions, sections 2 and 3.)

729. SECURITIES ISSUED OR ASSUMED—PLEDGED.

This account shall include the par value of that portion of securities pledged by the accounting company as collateral security for any of its funded debt or short-term loans, which consists of securities issued by the accounting company and securities issued by other companies, the obligation for payment of which has been assumed by the accounting company. This account shall be subdivided into (*a*) Stocks, and (*b*) Bonds and

other evidences of funded debt, each of which divisions shall be further so divided that in the company's annual report to the Commission may be shown (1) the amount nominally but not actually issued, and (2) the amount nominally outstanding.

NOTE A.—The term *securities* as used in this account includes all authorized certificates of stock and evidences of indebtedness which have been signed, sealed, and, when required, certified by the registrar or by the trustees under the mortgage or contract, and are not short-term securities. By *short-term securities* are meant those which are payable on demand or which mature not more than one year from date of issue. (See also Notes B to accounts Nos. 751 and 755.)

NOTE B.—This account shall not include securities that are merely guaranteed.

NOTE C.—This account shall not include securities which have been *borrowed* by the accounting company and pledged, nor any securities held in sinking and other reserve funds.

NOTE D.—In the general balance-sheet statement the balance in this account shall be stated in the short column only.

NOTE E.—The par value of securities issued or assumed and pledged for purposes other than that of security for funded debt or short-term loans shall be shown in account No. 703, "Sinking funds"; No. 704, "Deposits in lieu of mortgaged property sold," No. 711, "Special deposits"; or No. 721, "Insurance and other funds," as may be appropriate.

NOTE F.—When any securities have been actually issued to bona fide holders for value, or after issue by another company have been assumed by the accounting company, and after such issue or assumption are reacquired under circumstances which require that they shall not be treated as canceled or retired, they shall be included in account No. 728, "Securities issued or assumed—Unpledged," at par value; the difference between the par value and the amount paid in reacquiring such securities shall be debited (or credited), as the case may be) to Profit and Loss. If such securities are subsequently pledged, they shall be included in this account. (See special instructions, sections 2 and 3.)

CREDITS.

751. CAPITAL STOCK.

This account shall include the total par value of certificates or receipts issued to represent permanent interests in the accounting company, or interests which, if terminable, are so only at the option of the company.

The amounts included in this account shall be divided so as to show the par value of (1) certificates (pledged or unpledged) held in the company's treasury, by its agents or trustees, or otherwise subject to its control, including both those reacquired

after actual issue and those nominally but never actually issued; and (2) certificates issued and actually outstanding, being those not held by the company, its agents or trustees, or subject to its control.

The amounts included herein shall be further divided as so to show the amount of each class of stock issued, as follows:

(*a*) COMMON STOCK.—Stocks which have no preference in distribution of dividends.

(*b*) PREFERRED STOCK.—Stocks having preference in distribution of dividends.

(*c*) DEBENTURE STOCK.—Stocks issued under a contract to pay a specified return at specified intervals.

(*d*) RECEIPTS OUTSTANDING FOR INSTALLMENTS PAID.—Receipts for payments on account of subscriptions to capital stock. When certificates are issued for amounts so paid, the par value shall be included in the account covering the class of stock for which the certificates are issued.

Each of the above classes shall also be divided into subclasses according to differences in dividend or interest rights, voting rights, or conditions under which the securities may be retired.

NOTE A.—When a general levy or assessment is made against the holders of capital stock, requiring the payment of any sum for the use of the company in addition to the consideration agreed upon at the time of sale, the amount collected upon such levy or assessment shall be credited to the discount and premium account for the subclass of stock on which the assessment is made.

NOTE B.—For the purposes of the balance-sheet statement capital stock is considered to be *nominally issued* when certificates are signed and sealed and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special fund of the accounting company. It is considered to be *actually issued* when it has been sold to a bona fide purchaser for a valuable consideration, and such purchaser holds it free from all control by the accounting company. All capital stock actually issued and not reacquired and held by or for the accounting company is considered to be *actually outstanding*. If reacquired by or for the accounting company under such circumstances as require it to be considered as held alive and not canceled or retired, it is considered to be *nominally outstanding*.

NOTE C.—In the general balance-sheet statement the total capital stock included in the account shall be shown in the first short column. The amount nominally but not actually issued and the amount nominally outstanding shall be shown in the second short column, and in the long column shall be shown the amount actually outstanding.

752. STOCK LIABILITY FOR CONVERSION.

This account shall include the company's liability under agreements to exchange its capital stock for the outstanding securities of companies whose physical property has been acquired under such agreements, but whose securities have not yet been surrendered for exchange.

753. PREMIUM ON CAPITAL STOCK.

This account shall include the total of the net credit balances in the discount and premium accounts for the several subclasses of capital stock. (See special instructions, section 2.)

754. GRANTS IN AID OF CONSTRUCTION.

This account shall include the estimated money value at time of acquisition of land and other grants received from States, municipalities, and other public corporations as their contributions toward the construction or acquisition of property the cost of which is chargeable to investment in road and equipment.

755. FUNDED DEBT UNMATURED.

There shall be included in this account the total par value of unmatured debt, maturing more than one year from date of issue, issued by the accounting company and not retired or canceled, and the total par value of similar unmatured debt of other companies, the payment of which has been assumed by the accounting company.

The amounts included in this account shall be divided so as to show the par value of (1) certificates or other evidences of funded debt (pledged and unpledged) held in the company's treasury, by its agents or trustees, or otherwise subject to its control, including both those reacquired after actual issue and those nominally but never actually issued; and (2) certificates or other evidences of funded debt issued and actually outstanding, being those not held by the company, its agents or trustees, or subject to its control.

The amounts included herein shall be further divided so as to show the amount of each class of funded debt, as follows:

(*a*) EQUIPMENT OBLIGATIONS.—Equipment bonds, equipment

notes, or car-trust notes secured only by lien on specific equipment.

(*b*) MORTGAGE BONDS.—Bonds secured by lien on physical property and not includible in the other subdivisions of this account.

(*c*) COLLATERAL TRUST BONDS.—Bonds and notes secured by a lien on securities or other negotiable paper; and stock trust certificates that are similar in character to collateral trust bonds.

(*d*) INCOME BONDS.—Bonds which are a lien on a carrier's revenue alone, or bonds which, while being a lien on its property and franchises, can claim payment of interest only in case interest is earned.

(*e*) MISCELLANEOUS OBLIGATIONS.—All funded obligations not provided for by the other subdivisions of this account, also notes, unsecured certificates of indebtedness, debenture bonds, plain bonds, real estate mortgages executed or assumed, and other similar obligations maturing more than one year after date of issue.

(*f*) RECEIPTS OUTSTANDING FOR FUNDED DEBT.—Receipts for payments on account of funded debt. When certificates are issued for amounts so paid, the par value shall be included in the account covering the class of funded debt for which the certificates are issued.

Each of the above classes shall also be divided into subclasses according to differences in mortgage or other lien or security therefor, rate of interest, interest dates, or date of maturity. Parts of any issue agreeing in other characteristics but maturing serially may be treated as of the same subclass.

NOTE A.—Securities maturing one year or less from date of issue shall be included in account No. 757, "Nonnegotiable debt to affiliated companies," or No. 758, "Loans and bills payable," except that where an issue of securities maturing serially over a period of years contains short-term obligations such obligations may be included as funded debt. Matured funded debt shall be included in account No. 764, "Funded debt matured unpaid."

NOTE B.—For the purposes of the balance-sheet statement funded debt securities are considered to be *nominally issued* when certified by trustees and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special fund of the accounting company. They are considered to be *actually issued* when they have been sold to a bona fide purchaser for a valuable consideration, and such

purchaser holds them free from all control by the accounting company. All funded debt securities actually issued and not reacquired and held by or for the accounting company are considered to be *actually outstanding*. If reacquired by or for the accounting company under such circumstances as require them to be considered as held alive and not canceled or retired, they are considered to be *nominally outstanding*.

NOTE C.—Nonnegotiable notes having a maturity of more than one year after date of issue, held by affiliated companies, shall be included in account No. 757, "Nonnegotiable debt to affiliated companies."

NOTE D.—In the general balance-sheet statement the total unmatured funded debt included in the account shall be shown in the first short column. The amount nominally but not actually issued and the amount nominally outstanding shall be shown in the second short column, and in the long column shall be shown the amount actually outstanding.

756. RECEIVER'S CERTIFICATES.

When any receiver acting under the orders of a court is in possession of the property of the company and under the orders of such court issues evidences of indebtedness chargeable upon such property, the par value of such evidences shall be credited to this account.

757. NONNEGOTIABLE DEBT TO AFFILIATED COMPANIES.

This account shall include the par value of nonnegotiable notes issued to affiliated companies, credit balances in open accounts with such companies other than credit balances in current accounts classable as current liabilities, and interest accrued on notes and open accounts included in this account, when such interest is not subject to current settlements.

This account shall be divided:

(*a*) Notes, including herein not only nonnegotiable notes that run longer than a term of one year, but also such notes payable on demand or within one year from the date of issue when it is mutually agreed that the notes shall not be enforced as current assets by the holder.

(*b*) Open accounts not subject to current settlement.

(*c*) Interest accrued on amounts included in this account when not subject to current settlements.

NOTE A.—Accounts with affiliated companies which are subject to current settlements, such as traffic and car-service balances, charges for material and supplies currently furnished, charges for repairs to

equipment, etc., shall be classed as current assets or current liabilities, as may be appropriate.

NOTE B.—No item shall be included in this account which is not known to be the property of an affiliated company.

NOTE C.—The term *affiliated companies* includes:

1. Controlled companies, including companies solely controlled by the accounting company, and also companies jointly controlled by the accounting company and others under a joint arrangement.

2. Controlling companies, including both companies solely controlling the accounting company, and companies which jointly control the accounting company under a joint arrangement.

3. Companies controlled by controlled companies.

4. Companies controlled by controlling companies.

By *control* is meant the ability to determine the action of a corporation. For the purposes of this account, the following are to be considered forms of control:

(*a*) Right through title to securities issued or assumed to exercise the major part of the voting power in the controlled corporation.

(*b*) Right through agreement of some character or through some source other than title to securities, to name the majority of the board of directors, managers, or trustees of the controlled corporation.

(*c*) Right to foreclose a first lien upon all or a major part in value of the tangible property of the controlled corporation.

(*d*) Right to secure control in consequence of advances made for construction of the operating property of the controlled corporation.

(*e*) Right to control only in a specific respect the action of the controlled corporation.

A leasehold interest in the property of a corporation is *not* to be classed as *a form of control over the lessor corporation.*

Sole control is that which rests in one corporation.

Joint control is that which rests in two or more corporations and which is held under a joint arrangement.

758. LOANS AND BILLS PAYABLE.

This account shall include the balances representing obligations outstanding in the form of loans and bills payable or other similar evidences (except interest coupons) of indebtedness payable on demand or within a time not exceeding one year from date of issue.

This account shall be kept in such form that the amounts of notes secured by collateral, payable within one year from date of issue, may be reported separately in the corporation's annual report to the Commission.

NOTE.—This account shall not include obligations which mature more than one year after date of issue, or demand or short-term notes issued to affiliated companies and includible in account No. 757, "Nonnegotiable debt to affiliated companies."

759. TRAFFIC AND CAR-SERVICE BALANCES PAYABLE.

This account shall include the net amount payable to other companies in favor of each of which there is a net credit balance in the total of the accounts representing interline freight, passenger, and baggage revenues, and charges for equipment interchanged on a per diem or a mileage basis.

NOTE.—The amount to be entered in this account is not the balance between this account and account No. 713, "Traffic and car-service balances receivable."

760. AUDITED ACCOUNTS AND WAGES PAYABLE.

This account shall include the amount of audited vouchers or accounts and audited pay rolls unpaid on the date of the balance sheet. It shall include balances representing unclaimed wages and outstanding pay and time or discharge checks issued in payment of wages and all other unpaid vouchered items.

761. MISCELLANEOUS ACCOUNTS PAYABLE.

This account shall include outstanding drafts drawn by station agents, outstanding drafts drawn on the company in settlement of freight claims, conductors' refund and extra-fare checks not presented for redemption, deposits of affiliated companies subject to current settlement, unrefunded overcharges, and other items of the nature of demand liabilities not covered by accounts Nos. 758, 759, 760, 762, 763, and 764.

NOTE.—The amount to be reported under this account is not the net balance between this account and account No. 715, "Miscellaneous accounts receivable."

762. INTEREST MATURED UNPAID.

This account shall include the amount of matured and unpaid interest on loans and on funded debt and receiver's certificates, issued or assumed by the accounting company.

Interest which matures on the first day following that for which the balance sheet is made shall be included in this account.

NOTE.—Interest matured unpaid on nonnegotiable debt to affiliated companies, if not subject to current settlement, shall be included in account No. 757, "Nonnegotiable debt to affiliated companies."

763. DIVIDENDS MATURED UNPAID.

This account shall include the amount of dividends payable on capital stock but unpaid, uncalled for, or unclaimed at the date of the balance sheet.

Dividends which become payable on the first day following that for which the balance sheet is made shall be included in this account.

764. FUNDED DEBT MATURED UNPAID.

This account shall include the amount of funded debt matured and unpaid without any specific agreement for extension as to time of payment, including unpresented bonds drawn for redemption through the operation of sinking and redemption fund agreements.

765. UNMATURED DIVIDENDS DECLARED.

This account shall include dividends declared on capital stock, but not payable until after the first day following the date of the balance sheet.

766. UNMATURED INTEREST ACCRUED.

This account shall include the amount of interest on loans and on funded debt and receiver's certificates issued or assumed, accrued to the date for which the balance sheet is made, but not payable until after the first day following that date.

767. UNMATURED RENTS ACCRUED.

This account shall include rents, under leases or other agreements, accrued to the date for which the balance sheet is made, but not payable until after the first day following that date. It shall also include the amount of accrued dividends on stock and accrued interest on the funded debt of other companies when such dividends and interest are payable by the accounting company as all or a portion of the rent under leases or other agreements with those companies.

768. OTHER CURRENT LIABILITIES.

This account shall include items of current liabilities not covered by accounts No. 758 to No. 767, inclusive.

769. LIABILITY FOR PROVIDENT FUNDS.

This account shall include the ledger balances representing the liability of the accounting carrier for the amount of the assets (whether contributed by the company, by the employees, or by others) in the hands of its treasurer or of trustees or managers acting for it in the administration of employees' pension, savings, relief, hospital, and other association funds.

NOTE A.—This account shall not include items representing funds in which the accounting company has no beneficial interest and which it holds purely as trustee.

NOTE B.—In stating the balance sheet in the annual reports to the Commission, the liability for provident funds which are carried in the current cash of the company shall be included under current liabilities, in account No. 761, "Miscellaneous accounts payable."

770. OTHER DEFERRED LIABILITIES.

This account shall include items of deferred liabilities not covered by account No. 769; such as retained percentages due contractors, to be paid on completion of contracts; deposits for construction of side tracks, to be refunded on the basis of an agreed percentage of the earnings from the traffic handled over the tracks; and other similar items.

771. TAX LIABILITY.

This account shall include the amount of taxes accrued and charged against income accounts No. 532, "Railway tax accruals"; No. 535, "Taxes on miscellaneous operating property"; and No. 544, "Miscellaneous tax accruals" in excess of the amount paid.

If the taxes paid are in excess of the taxes accrued, the amount of the excess shall be shown in red in this account.

772. PREMIUM ON FUNDED DEBT.

This account shall include the total of the net credit balances in the discount, expense, and premium accounts for the several subclasses of funded debt. (See special instructions, section 3.)

773. INSURANCE AND CASUALTY RESERVES.

This account shall include the net credit balance in the accounts to which are credited specific appropriations of income or surplus and such insurance premiums as are concurrently charged to Operating Expenses to cover self-carried risks on

fire, fidelity, boiler, casualty, burglar, and other insurance, and to which are charged losses sustained on items protected by such insurance.

774. OPERATING RESERVES.

This account shall include the ledger balances representing reserves created by charges to Operating Expenses for maintenance of road and equipment, for personal injury, loss and damage, and other claims, and for similar purposes, such charges being made currently for the purpose of equalizing charges to operating accounts for the current accounting year. (See special instructions for operating expenses, sections 19 and 20.)

NOTE A.—Debit balances in operating reserve accounts to be cleared by future charges to operating accounts shall be shown in red in this account in the carrier's annual report to the Commission.

NOTE B.—The credit balances in reserve accounts representing appropriations of income or surplus for sinking funds, etc., shall not be included in this account.

NOTE C.—Accrued depreciation credit balances shall be included in accounts Nos. 775, 776, or 777, as may be appropriate.

775. ACCRUED DEPRECIATION—ROAD.

This account shall be credited with amounts charged to Operating Expenses or other accounts to cover the depreciation of fixed improvements, the cost of which is included in account No. 701, "Investment in road and equipment," or in account No. 702, "Improvements on leased railway property."

When any fixed property is destroyed, sold, or otherwise retired from service, the amount included in this account with respect to the property retired shall be charged hereto.

(Note carefully general instructions for the classification of investment in road and equipment, sections 7, 8, 11.)

776. ACCRUED DEPRECIATION—EQUIPMENT.

This account shall be credited with amounts charged to Operating Expenses or other accounts to cover the depreciation of the accounting company's equipment.

When any equipment is destroyed, sold, or otherwise retired from service, the amount included in this account with respect to the property retired shall be charged hereto. (See text of road and equipment general account II, Equipment.)

777. ACCRUED DEPRECIATION—MISCELLANEOUS PHYSICAL PROPERTY.

This account shall be credited with amounts charged to income or other accounts to cover the depreciation of property the cost of which is included in account No. 705, "Miscellaneous physical property."

When any miscellaneous physical property is destroyed, sold, or otherwise retired from service, the amount included in this account with respect to the property retired shall be charged hereto.

778. OTHER UNADJUSTED CREDITS.

This account shall include the amount of credit balances in suspense accounts that can not be entirely cleared and disposed of until additional information is received, such as amounts realized from the sale of damaged, unclaimed, and over freight and held pending claim; switching charges of other carriers collected and held awaiting bills from such carriers; amounts received from the sale of mileage tickets, to be disposed of as mileage is honored by the accounting or other carriers; amounts received from sales of excess baggage scrip, to be disposed of as coupons are honored; interchangeable mileage credential ticket redemption funds; revenue overcharges subject to refund; credit balances in clearing accounts such as "Shop expenses," "Store expenses," "Operating gravel pits," and "Operating quarries"; items charged to Operating Revenues or Operating Expenses on an estimated basis in accordance with general instructions for the classification of operating revenues and operating expenses, section 2; estimated accrued depreciation on leased equipment (see general instructions, section 2); and other similar items.

779. ADDITIONS TO PROPERTY THROUGH INCOME AND SURPLUS.

This account shall include such amounts of income and surplus as have been definitely appropriated or set aside, and expended since June 30, 1907, in the acquisition of property the cost of which is included in property investment accounts other than those for securities and also the amount of donations in aid of

construction made by individuals and companies and not subject to distribution as dividends. Investments in road and equipment, in improvements on leased railway property, and in miscellaneous physical property shall be shown separately in the accounting company's records.

This account may also include amounts definitely appropriated or set aside, and expended prior to June 30, 1907. If such amounts are included, the account shall be kept in such form as to show separately amounts expended to June 30, 1907, and amounts expended since that date.

NOTE.—Temporary appropriations of current funds for the acquisition of property, the cost of which is intended later to be met through an issue of securities, shall not be included in this account.

780. FUNDED DEBT RETIRED THROUGH INCOME AND SURPLUS.

This account shall include the total amount of appropriated income and surplus expended in the discharge of the principal (less the discount, if any, suffered at the time of sale) of any funded debt issued or assumed by the accounting company and retired through sinking or other funds provided from income or surplus. The account shall be kept in such form as to show separately amounts expended to June 30, 1907, and amounts expended since that date.

NOTE A.—Temporary appropriations of current funds for the payment of obligations which are intended to be replaced by new issues shall not be included in this account.

NOTE B.—Amounts of appropriated income and surplus expended in retirement of trust obligations issued for the purchase of equipment shall be included in account No. 779, "Additions to property through income and surplus."

781. SINKING FUND RESERVES.

This account shall include the net balances in accounts to which are credited definite appropriations of income and surplus whether held in general funds or specifically set aside in the hands of trustees for sinking and redemption funds. It shall also include income accretions to such funds retained therein. (See income account No. 552, "Income applied to sinking and other reserve funds.")

782. MISCELLANEOUS FUND RESERVES.

This account shall include the net balances in accounts to which are credited definite appropriations of income and surplus specifically set aside in the hands of trustees and not provided for elsewhere. It shall also include income accretions to such funds retained therein. (See income account No. 552, "Income applied to sinking and other reserve funds.")

783. APPROPRIATED SURPLUS NOT SPECIFICALLY INVESTED.

This account shall include the net balances in accounts to which are credited appropriations of income and surplus held in general funds for definite purposes not provided for elsewhere, but for which no specific investment or segregation of assets has been made.

784. PROFIT AND LOSS—BALANCE.

This account shall include the balance at the close of the fiscal period as shown in the accounts provided in the classification of profit and loss accounts.

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